5/30/2017

# FINAL MEDIUM TERM REVENUE & EXPENDITURE FRAMEWORK

## 2017/18 TO 2019/20

**Table of Content**

**Part 1 – Annual Budget**


| | | |
|---|---|---|
| 1.1 | Mayor's Report | 5 |
| 1.2 | Council Resolutions | 10 |
| 1.3 | Executive Summary | 11 |
| 1.4 | Operating Revenue Framework | 11 |
| 1.5 | Operating Expenditure Framework | 16 |
| 1.6 | Capital Expenditure | 20 |
| 1.7 | Annual Budget Tables | 20 |


**Part 2 – Supporting Documentation**


| | | |
|---|---|---|
| 2.1 | Overview of the Annual Budget Process | 38 |
| 2.2 | Overview of Alignment of Annual Budget with IDP | 40 |
| 2.3 | Measurable Performance Objectives and Indicators | 42 |
| 2.4 | Overview of Final Budget Related Polices | 45 |
| 2.5 | Overview of Budget Assumptions | 46 |
| 2.6 | Overview of Budget Funding | |
| 2.6 | Councillor and Employee Benefits | 48 |
| 2.7 | Legislation Compliance Status | 49 |
| 2.8 | Municipal manager's Quality Certificate | 50 |
| 2.9 | Other Budget Related Supporting Documents | 51 |

**Abbreviations and Acronyms**

| | |
|---|---|
| ASGISA | Accelerated and Shared Growth Initiative |
| BPC | Budget Planning Committee |
| CBD | Central Business District |
| CFO | Chief Financial Officer |
| CPI | Consumer Price Index |
| CRRF | Capital Replacement Reserve Fund |
| DBSA | Development Bank of South Africa |
| DoRA | Division of Revenue Act |
| EE | Employment Equity |
| FBS | Free basic services |
| GAMAP | Generally Accepted Municipal Accounting Practice |
| GDP | Gross domestic product |
| GFS | Government Financial Statistics |
| GRAP | General Recognised Accounting Practice |
| HR | Human Resources |
| HSRC | Human Science Research Council |
| IDP | Integrated Development Strategy |
| IT | Information Technology |
| km | Kilometer |
| KPA | Key Performance Area |
| KPI | Key Performance Indicator |
| LED | Local Economic Development |
| MEC | Member of the Executive Committee |
| MFMA | Municipal Financial Management Act Programme |
| MIG | Municipal Infrastructure Grant |
| MMC | Member of Mayoral Committee |
| MPRA | Municipal Properties Rates Act |
| MSA | Municipal Systems Act |
| MTEF | Medium-term Expenditure Framework |
| MTREF | Medium-term Revenue and Expenditure Framework |
| NGO | Non-Governmental organisations |
| NKPIs | National Key Performance Indicators |
| OHS | Occupational Health and Safety |
| OP | Operational Plan |
| PBO | Public Benefit Organisations |
| PHC | Provincial Health Care |
| PMS | Performance Management System |
| PPE | Property Plant and Equipment |
| PPP | Public Private Partnership |
| PTIS | Public Transport Infrastructure System |
| RG | Restructuring Grant |
| RSC | Regional Services Council |
| SALGA | South African Local Government Association |
| SAPS | South African Police Service |
| SDBIP | Service Delivery Budget Implementation Plan |
| SMME | Small Micro and Medium Enterprises |

**MAYOR'S REPORT**

**2017/18 FINAL BUDGET PRESENTATION BY HIS WORSHIP THE MAYOR COUNCILLOR VF HLABISA OF BIG 5 HLABISA MUNICIPLALITY AT THE COUNCIL MEETING HELD IN THE MUNICIPAL COUNCIL CHAMBER ON THE 30 MAY 2017**

Councilors, Officials and members of the public I wish to present an overview of the Final Budget and Medium Term Revenue and Expenditure Framework (MTREF) for 2017/18 financial year, for Big 5 Hlabisa Municipality. The Final Budget and MTREF has been compiled in terms of the provisions of the Local Government: Municipal Finance Management Act, MFMA circular 86, as well as the MFMA Budget and Reporting Regulations.

The 2017 Final Budget Review notes that more than twenty-one years of democracy have brought enduring achievements for South Africa, there is no room for complacency, we have to continue to work hard as Big 5 Hlabisa Municipality, together with all other organs of government to improve the lives and the wellbeing of our communities. To overcome apartheid's spatial legacy, the provision of housing and social infrastructure needs to be improved, and planning frameworks in the municipality strengthened. As Big 5 Hlabisa Municipality, our budget and operational processes need to respond accordingly to these needs. The budget policy framework for the next three years is designed to manage risk in a constrained fiscal environment, while building a foundation for economic growth which is in line with the implementation of the National Development Plan. Although South Africa's economy has expanded over the past years, the rate of growth has steadily declined.

The municipality is taking a conservative approach to discretionary expenditure with emphasis on cutting down on 'nice to haves' and adherence to cost containment measures as outlined in the MFMA Circular 86 issued by the Minister of Finance through National Treasury. Inflation, fuel increases and increase in unemployment rate will put a strain our country's economy. The impact of these, is a decline in GDP and a possible repeat of the so called economic recession that was experienced in 2008. This will consequently put the budget of Big 5 Hlabisa Municipality and all other entities in both public and private sector under pressure over the medium term, requiring the municipality to work more efficiently and to be more economical with its spending.

Compatriot, with the tabled Budget and MTREF, the municipality will endeavor to address the following management issues:

- The municipality is serious to act as a catalyst for economic growth through creating an environment for investment and other activities that foster job creation.
- The municipality is making further efforts in finding savings to eliminate waste and reprioritize spending toward key Local Economic Development and social objectives.
- The municipality's revenue and cash flow are expected to remain under pressure in 2017/2018, and so the municipality has adopted a conservative approach when projecting the expected revenue and cash receipt which is in line with the prudence concept of accounting and finance management.
- The municipality will also pay particular attention to manage revenue effectively and carefully evaluate all spending decisions.

The Final Budget tabled today is in line with National priorities:

- Creation of decent employment opportunities
- Infrastructure development such as:
- Roads (Rural & Urban)
- Electricity
- Local economic development

I would like to request administration not to employ people without any reference to the level of staffing required to deliver effective service and to consider the percentage of staffing because of the Merger. Effect remuneration increases associated with bargaining council decisions and what is financially sustainable over the medium term. The municipality ought to focus on maximizing its contribution to job creation by:

- Ensuring that service delivery and capital projects use labour intensive methods wherever appropriate;
- Ensuring that service providers use labour intensive approaches;
- Supporting labour intensive LED projects;
- Participating fully in the Expanded Public Works Programme where an allocation of R2,051 million has been made in this budget; and
- Implementing interns programmes to provide young people with on the job training using R3,800 million Finance Management Grant provided by National Treasury per 2017/18 DORA (Division of Revenue Act) promulgation.

With reference to employment creation, provision is made for the following:

- Contractors that are appointed for Municipal Infrastructure Grant (MIG) projects, are encouraged to make use of local labour;
- R300'thousand from the equitable share is allocated for LED projects;
- Currently the Big 5 Hlabisa has appointed nine financial interns.

When the rates, tariffs and other charges for the 2017/18 budget and MTREF were revised the Council took into account the labour (i.e. the wage agreements with unions) and other input costs of services provided by the municipality, the need to ensure financial sustainability, local economic conditions and the affordability of services, taking into consideration the municipality's indigent policy. The municipality also took into account relevant policy developments in the different sectors. The municipality is structuring the tariffs for utility services to encourage more efficient use of these services and to generate the resources required to fund the maintenance, renewal and expansion of the infrastructure required to provide the services. The budget depicts a total capital expenditure decrease of R2,136 million & a total operating expenditure increase of R 867 thousand, which is made up as follows:

| | |
|---|---|
| Capital Budget (decrease) from | R 23, 800 million to R 21, 664 million |
| Operating budget (increase) from | R 131, 234 million to R132, 101 million |

**Capital Budget**

| KZN276 The New Big 5 False Bay - Supporting Table SA36 Detailed capital budget | | | |
|---|---|---|---|
| Municipal Vote/Capital project | 2017/18 Medium Term Revenue & Expenditure Framework | | |
| R thousand | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| **Parent municipality:** | | | |
| *List all capital projects grouped by Municipal Vote* | | | |
| | | | |
| Manqoba Community Hall | 3 000 | – | – |
| Phumlani Upgrade of Gravel Road to Black top | 8 000 | – | – |
| Ncwabakazi Sports Field | 1 500 | – | – |
| Jabhisa Sports Field | 1 500 | – | – |
| Zibayeni Sports Field | 3 000 | – | – |
| Hlabisa Taxi Rank | 1 664 | – | – |
| Madondo Community Hall | 3 000 | – | – |
| Other Projects | – | 22 697 | 23 788 |
| Other Movable Assets | | 3 514 | 3 655 |
| **Parent Capital expenditure** | **21 664** | **26 211** | **27 443** |

The following guidelines were applied in order to valuate and prioritize the capital projects:

- In line with the Council's IDP
- Carryover of previously approved projects from dissolved municipalities are still work in progress.

It must be noted compatriot that there are projects that were prioritized and started in 2016/17 financial year that are still under construction and will be funded in 2017/18 Final Budget. It will be wise fellow councilors not to prioritize many projects for the next financial year until the existing projects are finalized.

The Capital Budget is funded as follows over the medium term:

Municipal Infrastructure Grant (MIG) R21,664 000

**Operating Budget**

**Operating Revenue Framework**

The municipality is budgeting for an operating revenue of R133,183 million of which the detail revenue sources are reflected in the executive summary of the budget document.

The proposed tariff increases for the 2017/18 MTREF on the different revenue categories for the Big 5 Hlabisa Municipality are as follows:

Property Rates 4%

Solid Waste 4%

Sundry 4%

National Treasury in circular 86 of the MFMA encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality. The Consumer Price Index (CPI) inflation has however breached the upper limit of the 3 to 6 per cent target band. The municipal tariffs were increased by 4% this increase is within the limits of 6.4 per cent maximum projected inflation target.

Transfers and Grants has increased by R7,045 million and is now 83% of the total operating Revenue. This ratio needs to be closely monitored as it continuously shows increase in our municipality's grant dependency. I implore administration together with oversight structures to explore other innovative ways to enhance revenue in order to maintain a reasonable balance between government grants and municipality's own generated revenue.

**Operating Expenditure Framework**

The municipality is budgeting for expenditure of R132,101 million of which the detail expenditure types are reflected in the executive summary

Major components of Operating Expenditure are:

- ✓ Employee related costs – representing 50% of the total operating budget expenditure. A salary increase of 7.4% is based on the consumer price index.
- ✓ Salary disparities will be catered for using the demarcation grant that amounts to R4,566 million which is included under General expenses in table SA1.
- ✓ Remuneration of Councillors – representing 4.79% of the total operating budget. The Municipality considered the DORA guideline on this line item. The remuneration of Councillors is determined by the Minister of Co-Operative Governance and Traditional Affairs, in accordance with the remuneration of Public Bearers Act (Act 20 of 1998).
- ✓ Depreciation and asset impairment – Provision for depreciation has been informed by the municipality's asset management policy.
- ✓ Contracted Services – As part of the compilation of the 2017/18 budget and MTREF, this group of expenditure was critically evaluated and operational efficiencies are enforced. This group of expenditure totals R10,852 million.
- ✓ Other expenditure – comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved.

**Equitable Share Grant**

In terms of the division of the revenue bill, as published in the government gazette of February 2017, the Council will receive the following amounts as it's equitable share grant from National Treasury, for the next three years:

| | | |
|---|---|---|
| 2017/2018 | - | R84,732 million |
| 2018/2019 | - | R93,374 million |
| 2019/2020 | - | R98,617 million |

The Equitable Share figures above are allocations as per DORA. The millions of rands being poured into our rural communities for various activities, is a further commendable effort by Council to show our people that we are serious in attending to their needs.

All current grants, rates rebates, free electricity and free refuse charges will remain in force to the benefit of those people, receiving such benefits.

I want to stress that citizens will mostly benefit if everyone is compassionate in ensuring that they excel in what they do. Management must manage effectively whilst Councilors play their oversight role effectively.

The citizens sympathy is determined by the extent to which municipal officials, business chambers and community organizations have a common understanding of our community's problems, challenges and opportunities to develop.

No bureaucracy rests indeed on their laurels if they know people are united in their efforts to improve living conditions for all. On the other hand, apathy or lack of interest of citizens creates a fertile breeding ground for poor service delivery, crumbling infrastructure, corruption and blatant disregard for good management practices.

Poor service delivery and poor control remain a serious challenge in most municipalities. At most of the municipalities, fruitless and wasteful expenditure continues to be an area of concern requiring serious attention to manage and prevent. The aforementioned can be prevented by implementing proper monitoring systems to identify problems.

I therefore would like to encourage all key stakeholders in our community to focus on forming a partnership with Big 5 Hlabisa Municipality, especially on the field of Local Economic Development.

Councillors, I would like to take this opportunity to express my gratitude and appreciation to the following people:

- ✓ The Municipal Manager, Directors and staff of the various departments, for their inputs in the budget;
- ✓ The community in the both municipal areas for their support and co-operation, to make our municipality a pleasant area to stay in.
- ✓ Councillors for their inputs at the budget consultation meetings.
- ✓ Rate payers association
- ✓ And other stakeholders who will have an input further in the budget.

I note the Draft Medium Term Revenue and Expenditure Framework commencing in 2017/18 as detailed in the document with recommendations for final adoption by Council and Change Management Committees.

I thank you.

**1.2 Council Resolutions**

On 30 May 2017 the Council of Big 5 Hlabisa Municipality met in the Council Chamber of Municipality to Approve the Annual budget of the KZN276 municipality for the financial year 2017/18 and outer years. The Council approved the following resolutions:

1. Council acting in terms of section 16 of the Municipal Finance Management Act, (Act 56 of 2003) notes:

1.1. The Final annual budget of the municipality for the financial year 2017/18 and the multi-year and single-year capital appropriations as set out in the following tables:

1.1.1. Final Budgeted Financial Performance (revenue and expenditure by standard Classification)

1.1.2. Final Budgeted Financial Performance (revenue and expenditure by municipal vote)

1.1.3. Final Budgeted Financial Performance (revenue by source and expenditure by type)

1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source

1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:

1.2.1. Final Budgeted Financial Position;

1.2.2. Final Budgeted Cash Flows;

1.2.3. Cash backed reserves and accumulated surplus reconciliation;

1.2.4. Asset management; and

1.2.5. Basic service delivery measurement.

2. Council, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) Approved.

2.1. The tariffs for property rates,

2.2. The tariffs for solid waste services

3.Council, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approved effectively the Municipality's tariffs for other services, as set out in the tariffs Schedule.

## 1.3 EXECUTIVE SUMMARY

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The municipality's business and service delivery priorities were received as part of this year's planning and budget process. Where appropriate, funds were transferred from low to high priority programmes to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items.

The municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

The budget/IDP process occurred according to the budget timetable approved by Council during August 2016. This ensured compliance with the LG: MFMA and subsequent circulars in the preparation and approval of the multi-year budget/IDP.

The Budget and Medium-Term Revenue and Expenditure Framework (MTREF) was also prepared taking cognizance of the contents of the Local Government: Municipal Finance Management Act No 56 of 2003, Circular No. 86, and the LG: MFMA Budget Formats Guide received from National Treasury.

The main challenges experienced during the compilation of the 2017/2018 Budget and MTREF can be summarized as follows:

- The ongoing difficulties in the national and local economy;
- Ageing roads and other municipal amenities;
- The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies.
- High staff turnover rate including the vacancies in some positions in the Municipality including Chief Financial Officer's position being vacant.

• Affordability of capital projects-original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2017/18 budget and MTREF process.

The following budget principles and guidelines directly informed the compilation of the 2017/18 Budget and MTREF:

- The 2016/2017 Adjustments Budget priorities and targets for municipality, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2017/2018 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of refuse services. In addition, tariffs need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- The challenges with the implementation of the MSCOA.

In view of the following table is a consolidated overview of the proposed 2017/2018 Budget and Medium-term Revenue and Expenditure Framework:

Consolidated Overview of the 2017/2018 Budget and MTREF

| **Details** | **Adjustments Budget 2016/17 (R'000)** | **Budget Year 2017/2018** | **Budget Year 2018/2019 (R'000)** | **Budget Year 2019/2020** |
|---|---|---|---|---|
| Total operating revenue | 134 400 | 133 183 | 141 451 | 150 164 |
| Total operating Expenditure | 131 234 | 132 101 | 138 270 | 148 664 |
| (Surplus)/Deficit for the year | 3 166 | 1 082 | 3 181 | 1 500 |
| Total Capital Expenditure | 23 800 | 21 664 | 22 697 | 23 788 |

Total operating revenue has decreased by -0.91 per cent or R1 217 million for the 2017/2018

financial year when compared to the 2016/2017 Adjustments Budget.

Total operating expenditure for the 2017/2018 financial year has been appropriated at R132 101 million and translates into a budgeted surplus of R1 082 million. When compared to the 2016/2017 Adjustments Budget, operational expenditure has increased by 0.65 per cent in the 2017/2018 budget.

The capital budget of R21,800 million for 2017/2018 is 8.97 per cent lesser when compared to the 2016/2017 Adjustments Budget. The capital budget is mainly funded from Government grants over the MTREF (MIG).

**Operating Revenue Framework**

For Big 5 Hlabisa to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times, strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices must be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 70 per cent annual collection rate for property rates and other key service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each services;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA)
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policy of the Municipality.

The following table is a summary of the 2017/2018 Budget and MTREF (classified by main revenue source):

**KZN276 The New Big 5 False Bay - Table A4 Budgeted Financial Performance (revenue and expenditure)**

| Description | Ref | 2013/14 | 2014/15 | 2015/16 | Current Year 2016/17 | | | | 2017/18 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | 1 | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| **Revenue By Source** | | | | | | | | | | | |
| Property rates | 2 | – | – | – | – | – | – | – | 14 428 | 15 779 | 15 779 |
| Service charges - electricity revenue | 2 | – | – | – | – | – | – | – | – | – | – |
| Service charges - water revenue | 2 | – | – | – | – | – | – | – | – | – | – |
| Service charges - sanitation revenue | 2 | – | – | – | – | – | – | – | – | – | – |
| Service charges - refuse revenue | 2 | – | – | – | – | – | – | – | 1 962 | 2 081 | 2 081 |
| Service charges - other | | | | | | | | | | | |
| Rental of facilities and equipment | | | | | | | | | 205 | 197 | 418 |
| Interest earned - external investments | | | | | | | | | 500 | 1 203 | 1 203 |
| Interest earned - outstanding debtors | | | | | | | | | 783 | 1 994 | 1 994 |
| Dividends received | | | | | | | | | | | |
| Fines, penalties and forfeits | | | | | | | | | 1 500 | 2 173 | 2 173 |
| Licences and permits | | | | | | | | | 2 309 | 2 795 | 2 895 |
| Agency services | | | | | | | | | | | |
| Transfers and subsidies | | | | | | | | | 111 123 | 114 702 | 123 099 |
| Other revenue | 2 | – | – | – | – | – | – | – | 374 | 527 | 522 |
| Gains on disposal of PPE | | | | | | | | | | | |
| **Total Revenue (excluding capital transfers and contributions)** | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **133 183** | **141 451** | **150 164** |

In line with the formats prescribed by the Municipal Budget and reporting regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

| KZN276 The New Big 5 False Bay - Table A4 Budgeted Financial Performance (revenue and expenditure) | | | | | | |
|---|---|---|---|---|---|---|
| Description | | | 2017/18 Medium Term Revenue & Expenditure Framework | | | |
| R thousand | Pre-audit outcome 2016/2017 | | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 | Cash Flow 2017/2018 |
| Revenue By Source | | | | | | |
| Property rates | 13 960 | 3.24% | 14 428 | 15 779 | 15 779 | 10 100 |
| Service charges - electricity revenue | – | | – | – | – | |
| Service charges - water revenue | – | | – | – | – | |
| Service charges - sanitation revenue | – | | – | – | – | |
| Service charges - refuse revenue | 1 701 | 13.30% | 1 962 | 2 081 | 2 081 | 1 373 |
| Service charges - other | | | | | | |
| Rental of facilities and equipment | 158 | 22.93% | 205 | 197 | 418 | 183 |
| Interest earned - external investments | 769 | -53.80% | 500 | 1 203 | 1 203 | 500 |
| Interest earned - outstanding debtors | 738 | 5.74% | 783 | 1 994 | 1 994 | |
| Dividends received | | | | | | |
| Fines, penalties and forfeits | 1 930 | -28.67% | 1 500 | 2 173 | 2 173 | 450 |
| Licences and permits | 2 425 | -5.02% | 2 309 | 2 795 | 2 895 | 2 309 |
| Agency services | | | | | | |
| Transfers and subsidies | 118 168 | -6.34% | 111 123 | 114 702 | 123 099 | 111 123 |
| Other revenue | 368 | 1.60% | 374 | 527 | 522 | 300 |
| Gains on disposal of PPE | | | | | | |
| **Total Revenue (excluding capital transfers and contributions)** | **134 400** | **-0.91** | **133 183** | **141 451** | **150 164** | **126 338** |

Revenue generated from government grants forms a significant percentage of the revenue basket for the Municipality. In the 2016/17 financial year, revenue from rates total R14,428 million or 10.83 per cent of total revenue. This increases to R14,428 million, R15, 779 million and R15, 779 million in the respective financial years of the MTREF and Property rates is the second largest revenue source.

The third largest sources of revenue are from Licences and permits which is measured in terms of GRAP 23 (revenue recognition).

Operating grants and transfers totals R111,123 million in the 2017/18 financial year and increases to R114,702, and a continuous increase to R123,099 million by 2019/20.

## 2.1 Tariffs

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6

per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilized for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity, petrol, diesel, chemicals, cement, etc. The current challenge facing the municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by their operational efficiency gains or service level reductions. Within this framework, the municipality has undertaken the tariff setting process relating to service charges as follows.

**2.2 Property Rates**

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No.51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio to residential properties to be 0.25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17 (h) of the MPRA). In addition to this rebate, a further R45 000 reduction on the market value of a property will be granted in terms of the municipality's own Property Rates Policy;
- As per the Municipal Property Rates Act (MPRA) Section 93A transitional arrangement for public service infrastructure the municipality has taken into account that rates levied should be not more than 60 percent of the rate charged in 2016-17 Financial Year and the Property Rates policy provides an indication that these amendments have been taken into account
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year.

The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate- able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2017/18 financial year based on a 4 per cent increase from 1 July 2017 is contained below:

**BIG 5 HLABISA MUNICIPALITY**

**FINAL TARIFF OF CHARGES FOR 2017/2018**

| | **Description** | 2016-2017 | | | 2017-2018 | |
|---|---|---|---|---|---|---|
| | | HLABISA | HLUHLUWE | DIFFERENCE | FINAL | INCREAESE 4% |
| 1 | **RATES** | | | | | |
| | Rates-Commecial | 0.016047150 | 0.017429633 | -0.001382483 | 0.017429633 | 0.018126818 |
| | Rates-Public Service Infrastructure | 0.003154095 | 0.003928371 | -0.000774276 | 0.003928371 | 0.004085506 |
| | Rates-Residential | 0.012948390 | 0.015684283 | -0.002735893 | 0.015684283 | 0.016311654 |
| | Rates-Agriculture | 0.003154095 | 0.003928371 | -0.000774276 | 0.003928371 | 0.004085506 |
| | Rates-SPL | 0.003154095 | 0.020285411 | -0.017131316 | 0.020285411 | 0.021096827 |

**BIG 5 HLABISA LOCAL MUNICIPALITY**
**KZ276**
**PROPOSED TARIFF OF CHARGES FOR 2017/2018**

| | Description | HLABISA | HLUHLUWE | DIFFERENCE | PROPOSED | FINAL EXC VAT | FINAL VAT | FINAL INC VAT |
|---|---|---|---|---|---|---|---|---|
| 1 | **REFUSE COLLECTION** | | | | | | | |
| | Refuse - Commercial | 138.68 | 1 072.57 | -933.89 | 1 072.57 | 1 115.47 | 156.17 | 1 271.64 |
| | Refuse - Residential Town | 110.95 | 154.18 | -43.23 | 154.18 | 160.35 | 22.45 | 182.80 |
| | Refuse - Public Benefits Organisations | 138.68 | - | 138.68 | 138.68 | 147.01 | 20.58 | 167.59 |
| | Refuse - Residential Lacation | - | 93.89 | -93.89 | 93.89 | 99.52 | 13.93 | 113.46 |
| 2 | **Sewerage** | | | | | | | |
| | Per load | 307.02 | - | 307.02 | 307.02 | 325.44 | 45.56 | 371.00 |
| **3** | **SPORTFIELD HIRE** | | | | | | | |
| **3.1** | **Sportfield Hire(where entrance fees are not charged)** | | | | | | | |
| 3.1.1 | Sportfield Hire | 2 192.98 | - | 2 192.98 | 2 192.98 | 2 324.56 | 325.44 | 2 650.00 |
| 3.1.2 | Refundable Sportfield deposit | 500.00 | - | 500.00 | 500.00 | 500.00 | - | 500.00 |
| 3.2 | **Sportfield Hire(where entrance fees are charged)** | | | | | | | |
| 3.2.1 | Sportfield Hire | 3 508.77 | - | 3 508.77 | 3 508.77 | 3 719.30 | 520.70 | 4 240.00 |
| 3.2.2 | Refundable Sportfield deposit | 500.00 | - | 500.00 | 500.00 | 500.00 | - | 500.00 |
| | | | | | | - | | |
| 3.3 | **Sportfield Hire - Sports Development Projects** | | | | | | | |
| 3.3.1 | Sportfield Hire | Free | - | free | - | - | - | - |
| 3.3.2 | Refundable Sportfield deposit | 500.00 | - | 500.00 | 500.00 | 500.00 | - | 500.00 |
| 3.4 | **Sportfield Hire - Municipal Functions** | | | | | | | |
| 3.4.1 | Sportfield Hire | Free | | | Free | Free | 0 | - |
| 3.4.2 | Refundable Sportfield deposit | Free | | | Free | Free | 0 | - |
| 3.5 | **Sportfield Hire - Sport & Recreational Associations** | | | | | | | |
| 3.5.1 | Sportfield Hire | 2 192.98 | - | 2 192.98 | 2 192.98 | 2 324.56 | 325.44 | 2 650.00 |
| 3.4.2 | Refundable Sportfield deposit | 500.00 | - | | 500.00 | 500.00 | - | 500.00 |
| **4.** | **HALLS HIRE** | | | | | | | |
| **4.1** | **Halls Hire(where entrance fees are not charged)** | | | | | | | |
| 4.1.1 | Halls Hire | 1 750.00 | 632.43 | 1 117.57 | 1 750.00 | 877.19 | 122.81 | 1 000.00 |
| 4.1.2 | Halls Hire per hour | - | - | - | - | 109.65 | 15.35 | 125.00 |
| 4.1.3 | Refundable Halls Deposit | 500.00 | 632.43 | -132.43 | 500.00 | 500.00 | - | 500.00 |
| 4.2 | **Halls Hire(where entrance fees are charged)** | | | | | | | |
| 4.2.1 | Halls Hire | 1 315.79 | - | 1 315.79 | 1 315.79 | 1 315.79 | 184.21 | 1 500.00 |
| 4.2.2 | Halls Hire per hour | - | - | - | - | 174.34 | 24.41 | 198.75 |
| 4.2.3 | Refundable Halls Deposit | 500.00 | - | 500.00 | 500.00 | 500.00 | - | 500.00 |
| 4.3 | **Hall Hire - Sports Development Projects** | | | | | | | |
| 4.3.1 | Halls Hire | Free | - | - | Free | Free | 0 | - |
| 4.3.2 | Refundable Halls Deposit | 500.00 | - | - | 500.00 | 500.00 | - | 500.00 |
| 4.4 | **Hall Hire - Municipal Functions** | | | | | | | |
| 4.4.1 | Halls Hire | Free | - | - | Free | Free | 0 | - |
| 4.4.2 | Refundable Halls Deposit | Free | - | - | - | - | - | - |
| 4.5 | **Hall Hire - Sport & Recreational Associations** | | | | | | | |
| 4.5.1 | Halls Hire | 1 315.79 | - | 1 315.79 | 1 315.79 | 1 394.74 | 195.26 | 1 590.00 |
| 4.5.2 | Refundable Halls Deposit | 500.00 | - | 500.00 | 500.00 | 500.00 | - | 500.00 |
| 4.6 | **Hall Hire - Public Gatherings (School Activities & Political Party Gatherings)** | | | | | | | |
| 4.6.1 | Halls Hire | Free | Free | - | Free | Free | 0 | - |
| 4.6.2 | Refundable Halls Deposit | 500.00 | 500.00 | - | 500.00 | 500.00 | 0 | 500.00 |
| **5.** | **CERTIFICATES** | | | | | | | |
| 5.1 | Rates Clearance Certificate | 243.62 | 91.70 | 151.92 | 243.62 | 253.37 | 35.47 | 288.84 |
| **6** | **PHOTOCOPYING** | | | | | | | |
| 6.1 | A4 Copy - Printed one side | 0.88 | - | 0.88 | 0.88 | 0.88 | 0.12 | 1.00 |
| 6.2 | A4 Copy - Printed Both sides | 1.75 | - | 1.75 | 1.75 | 1.75 | 0.25 | 2.00 |
| 6.3 | A3 Copy - Printed one side | 1.32 | - | 1.32 | 1.32 | 1.32 | 0.18 | 1.50 |
| 6.4 | A3 Copy - Printed Both sides | 2.63 | - | 2.63 | 2.63 | 2.63 | 0.37 | 3.00 |
| 6.5 | A4 Printer | 1.75 | - | 1.75 | 1.75 | 1.75 | 0.25 | 2.00 |
| **7** | **LIBRARY FEES** | | | | | | | |
| 7.1 | Membership Fees | Free | Free | - | - | - | | - |
| 7.2 | Lost card replacement | 8.78 | - | 8.78 | 8.78 | 8.77 | 1.23 | 10.00 |
| 7.1 | Fines:lost books | Cost price of the book | | | | | | |
| 7.1 | Fines:DVD/CD/VIDEO TAPES | Cost price of the item lost | | | | | | |
| 7.1 | Late return of books fee per day | Cost it dertemined by the system | | | | - | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **8** | **TRAFFIC FEES** | | | | | | | | |
| 8.1 | Learners license booking fee | | 150.00 | - | 150.00 | 150.00 | 131.58 | 18.42 | 150.00 |
| 8.1 | Learners issue fee | | 60.00 | - | 60.00 | 60.00 | 52.63 | 7.37 | 60.00 |
| 8.1 | Learners License re-issue | | 80.00 | - | 80.00 | 80.00 | 70.18 | 9.82 | 80.00 |
| | PrDP Licence Application | | 150.00 | - | 150.00 | 150.00 | 131.58 | 18.42 | 150.00 |
| | prDP Licence issue | | 250.00 | | 250.00 | 250.00 | 219.30 | 30.70 | 250.00 |
| | Drivers Licence Havy Motor Vehicle Test booking | | 300.00 | - | 300.00 | 300.00 | 263.16 | 36.84 | 300.00 |
| | Drivers License issue fee | | 250.00 | - | 250.00 | 250.00 | 219.30 | 30.70 | 250.00 |
| | Temporary drivers licence | | 90.00 | - | 90.00 | 90.00 | 78.95 | 11.05 | 90.00 |
| | Drivers licence renewals | | 250.00 | - | 250.00 | 250.00 | 219.30 | 30.70 | 250.00 |
| | Drivers Licence Light Motor Vehicle | | 250.00 | | 250.00 | 250.00 | 219.30 | 30.70 | 250.00 |
| **12.** | **BUILDING PLANS** | | | | | | | | |
| | | Basic Fee | - | 578.95 | -578.95 | 578.95 | 578.95 | 81.05 | 660.00 |
| | 10m2 - 999m2 (or portion thereof ) | Per square meterage portion | - | 12.72 | -12.72 | 12.72 | 12.72 | 1.78 | 14.50 |
| | | Basic Fee | - | 1 447.37 | -1 447.37 | 1 447.37 | 1 447.37 | 202.63 | 1 650.00 |
| | 1000m2-4999 (or portion thereof) | Per square meterage portion | - | 7.46 | -7.46 | 7.46 | 7.46 | 1.04 | 8.50 |
| | | Basic Fee | - | 4 157.89 | -4 157.89 | 4 157.89 | 4 157.89 | 582.11 | 4 740.00 |
| | 5000m2 and above | Per square meterage portion | - | 5.70 | -5.70 | 5.70 | 5.70 | 0.80 | 6.50 |
| 14. | **MARKET STALLS RENTALS ANNUALY** | | 192.98 | - | 192.98 | 192.89 | 192.98 | 27.02 | 220.00 |
| 15. | **ENCROUCHMENT FEES** | | 350.88 | - | 350.88 | 350.88 | 10 000.00 | - | 10 000.00 |
| 16. | **MISCELLENEOUS FEES** | | | | | | | | |
| | Copy of valuation roll | | 219.30 | 134.08 | 85.22 | 219.30 | 228.07 | 31.93 | 260.00 |
| | Hiring of Municipal office space / Municipal boardroom per hour | | 263.16 | - | 263.16 | 263.16 | 278.95 | 39.05 | 318.00 |
| | Use of Hlabisa Park for (weddings, parties and other social gatherings) | | 986.84 | - | 986.84 | 986.84 | 1 046.05 | 146.45 | 1 192.50 |
| 17. | **CEMETRY TARIFFS** | | - | 1 340.74 | -1 340.74 | 1 340.74 | 1 421.18 | 198.97 | 1 620.15 |
| 18 | **LICENCE APPLICATIONS** | | | | | | | | |
| | Annual permit fee, informal traders | | 394.74 | - | 394.74 | 394.74 | 418.42 | 58.58 | 477.00 |
| | Business Licence Application | | 986.84 | 255.20 | 731.64 | 986.84 | 1 026.32 | 143.68 | 1 170.00 |
| | Business Licence penalty | | 1 015.63 | - | 1 015.63 | 1 015.63 | 1 076.56 | 150.72 | 1 227.28 |
| | Monthly fee informal traders | | 49.34 | - | 49.34 | 49.34 | 52.30 | 7.32 | 59.63 |
| | Permit violation penalty fee | | 49.34 | - | 49.34 | 49.34 | 52.30 | 7.32 | 59.63 |
| | Dumping permits | | - | 134.24 | -134.24 | 134.24 | 142.29 | 150.83 | 293.13 |
| 19 | **LIBRARY CONFERENCE ROOM / DISCUSSION ROOM** | | | | | | | | |
| | Schools | | - | - | - | - | - | | - |
| | Government Departments | | - | 438.60 | - | 438.60 | 464.92 | 65.09 | 530.00 |
| | NGO's | | - | - | - | - | - | | - |
| | Tertiary institutions | | - | - | - | - | - | | - |
| | Private sector | | 1 973.68 | - | 1 973.68 | 1 973.68 | 2 092.10 | 292.89 | 2 384.99 |
| | Hire of activity room | | - | 294.96 | -294.96 | 336.25 | 356.43 | 49.90 | 406.32 |
| 22 | **Tractor hire per hour** | | - | 160.82 | -160.82 | 183.11 | 194.10 | 27.17 | 221.27 |
| | | | | | - | | | | |
| 23 | **Tender document** | | | | | | | | |
| | R 200,000.00 - R 999,999.00 | | - | - | - | 219.30 | 219.30 | 30.70 | 250.00 |
| | R 1,000,000.00 - R 1,999,999.00 | | - | - | - | 307.02 | 307.02 | 42.98 | 350.00 |
| | R 2,000,000.00 - R 2,999,999.99 | | - | - | - | 394.74 | 394.74 | 55.26 | 450.00 |
| | R 3,000,000.00 or more | | - | - | - | 482.46 | 482.46 | 67.54 | 550.00 |
| 26 | **Hire of grader(per hour)** | | - | 392.52 | -392.52 | 392.52 | 416.07 | 58.25 | 474.32 |

**Municipal Property Rates Tariffs (Rate Randage)**

### 2.3 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a surplus the comments from treasury were considered. It is widely accepted that the rendering of this service should at least break even, which is currently the case. The municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributor to this surplus is that this service is partially outsourced.

A 4 per cent increase in the waste removal tariff is proposed from 1 July 2017. Higher increases will not be viable in 2017/18 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher than 6 per cent would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

### 2.4 Rental of facilities and Equipment

The main contributor to this line item is hiring of halls hence the explanation is mainly focused to hall hire. In previous years, the dissolved municipalities has built a number of community halls. There was no formal monitoring system procedure in place for the hiring of those halls hence this will now be based in the finance department to insure that it is closely monitored. In the budget year 2017/18, the municipality has reviewed the policy on hiring halls. This will enable the municipality to increase its revenue attributable to rental of facilities. Hence the budgeted amount for 2017/18 financial year has grown by almost 22.3%.

### 2.5 Interest earned on external investments

The Budgeted revenue against this line item is projected to decrease by 53.8 percent as per Table above. The municipality will invest funds received that will not be immediately used, all investments will be short term and will be called back within the financial year however there is high expenditure and commitments which results in the decrease of this line item.

### 2.6 Interest earned on outstanding debtors

Interest earned-outstanding debtors reflect an increase of 5.7 percent in 2017-18 financial year and this increase is based on the current average interest charge in 2016-17 financial year, which is charged at 1.5 percent per month as stipulated in the municipality's Credit control policy.

### 2.7 Traffic Fines

The municipality has budgeted R1,500 million in Traffic Fines which has decreased by R430 000 Thousand when compared to 2016/17. This estimation is based on engagements with the traffic department and plans that will be implemented to see this amount realised, and is also based on the current monthly billing averaged per month for the municipality, there are strategies that will be implemented during the financial year regarding this line item.

### 2.8 Other Revenue

Municipality has taken over the services of firefighting and equipment used by the external service provider, this enable the municipality to general at least some revenue from the service from Airport owners (Federal Airlines) and also farmers that might need the service from time to time, the anticipated revenue from this

service is estimated to be R55 000.00 this line item includes sale of documents, Photocopies, Business Licences, Business Plans and other minor revenues

### 2.9 Licenses and Permits

The Municipality has budgeted for Licenses and permits of R2,309 million this is based on the current collection and revenue generated from this line item we are also expecting a high turnover on licensing and permit as the Hlabisa testing station has been upgraded meaning more services are being provided. The Hluhluwe testing station will be opened in 2017/2018 financial year which will give a positive change in this line item.

## 3. Operating Expenditure Framework

The Municipality's expenditure framework for the 2017/18 budget and MTREF is informed by the following:

- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherences to the principle of no project plan no budget. If there is no business plan no funding allocation can be made.

The following table is a high level of the 2017/18 budget and MTREF (classified as per table A4 main type of operating expenditure):

| KZN276 The New Big 5 False Bay - Table A4 Budgeted Financial Performance (revenue and expenditure) | | | | | |
|---|---|---|---|---|---|
| Description | | | 2017/18 Medium Term Revenue & Expenditure Framework | | |
| R thousand | Pre-audit outcome 2016/2017 | | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| **Expenditure By Type** | | | | | |
| Employee related costs | 56 194 | | 60 182 | 64 832 | 69 435 |
| Remuneration of councillors | 6 349 | | 6 926 | 7 886 | 7 886 |
| Debt impairment | 2 600 | | 3 000 | 3 120 | 3 276 |
| Depreciation & asset impairment | 8 792 | | 7 500 | 7 000 | 7 350 |
| Finance charges | 150 | | 120 | 125 | 131 |
| Bulk purchases | – | | – | – | – |
| Other materials | 5 500 | | 5 000 | 5 200 | 5 460 |
| Contracted services | 10 502 | | 9 252 | 9 527 | 10 066 |
| Transfers and subsidies | 20 810 | | 14 745 | 14 790 | 18 837 |
| Other expenditure | 20 338 | | 25 376 | 25 791 | 26 223 |
| Loss on disposal of PPE | | | | | |
| **Total Expenditure** | **131 234** | | **132 101** | **138 270** | **148 664** |

**Employee Related Cost**

Employee related costs is the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage. The budgeted allocation for employee related costs for the 2017/18 financial year totals R60,182 million, which equals 45.5 per cent of the total expenditure.

The following has been taken into consideration on the determination of Employee related costs:

The increase on Basic salaries of 7.5% (6% plus 1.5 % for CPI) based on the signed three year collective SALGBC agreement which is still applicable during 2017/18 financial year. An annual increase of 7.7 per cent has been included in the two outer years of the MTREF.

There has been a high staff turnover rate from 2015/2016 emanating from the dissolved municipalities. This explains the 45.5 percent of the municipal employee related cost however the municipality only budgeted for a few critical positions i.e. the Chief Financial Officer's position which is included in the 45.5 percent and will insure that no other than the critical positions will be filled.

The cost associated with the remuneration of councillors is determined by the Minister of Co- Operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998) and it was clearly mention in Circular 86 of the MFMA that was utilised when preparing the 2017/2018 Budget. The most recent proclamation in this regard has been considered in compiling the municipality's budget. It has been budgeted to be R6,926 Million for 2017/2018 financial year and the percentage increase that is coming up in December has also been considered in this budget.

The total employee related costs including councillors remuneration is budgeted to be 50.8% of the total expenditure. This is a bit higher than the norm range of 25-40% percent as per MFMA Circular No.71 This expenditure line item has been greatly affected by the resolutions taken because of the merger.

**Debt Impairment**

The provision of Debt impairment was determined based on an annual collection rate of 70 percent for Property rates and Refuse, 30% for Fines and the Debt Write-off Policy of the Municipality. For the 2017/18 financial year this amount equates to R3,000 million and with the minor increase for the two outer years. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Since 2015/16 Fines revenue for dissolved municipalities has been decreasing and for this Municipality one would expect that Debt impairment expenditure will also decrease, however due to the fact the municipality does not have an Indigent register the municipality has not been able to write off long outstanding debt relating to Consumer debtors. Thus there is a possibility that debt impairment budget includes Debt relating to Indigent customers. However the municipality has assigned an employee to update and insure that the consolidation of the indigent register is done.

**Depreciation**

Provision for Depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the asset consumption, the 2016-17 Asset Register in not yet updated hence all the estimates for 2017/18 depreciation are based on the asset register for 2015-16 financial year and the dissolved municipalities Audited Financial Statements. Budget

appropriations in this regard total to R7,500 million for the 2017/18 financial year and equates to 5.68 percent of the total expenditure. There are municipal assets that are out of its useful life that will be disposed and taken out of the municipal asset register hence the depreciation for 2017/2018 has decreased.

**Finance Charges**

Finance charges consist primarily of the repayment of interest on finance leases (cost of operational). Finance charges make up 0.09 per of operating expenditure.

**Other Material**

Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. This group of expenditure has been prioritised to ensure sustainability of the municipality's infrastructure & other community facilities. For 2017/18 the appropriation against this group of expenditure is 3 per cent of operating expenditure (R5, million)

**MSCOA**

The *m*SCOA Regulations apply to all municipalities and municipal entities with effect from 1 July 2017.

Technically, for a municipality to be regarded as *m*SCOA compliant on 1 July 2017 it must be able to transact across all the *m*SCOA segments and its core system and all sub-systems (including that of its municipal entities) must seamlessly integrate. Among the lessons learnt from the pilot municipalities, stems the recommendation that a municipality's point of departure for achieving system integration is that it prioritises the maximum integration potential of its core system so that it integrates with the Debtors main sub-system (including cash management and receipting), Payroll and the Assets Management sub-system modules. Furthermore, all municipalities must accommodate seamless integration of the Integrated Development Plan (IDP), Service Delivery and Budget Implementation Plan (SDBIP) and Budget facilities into the core financial system as these documents create a point of departure for the transactional environment come 1 July 2017.

The municipality currently sitting at 80% on the implementation of MSCOA as the outcome of this statement the municipal Draft Budget that is be presented to council is mSCOA compliant and the Tables are filled on version 6.1 as per Treasury Circular 86 of the MFMA. The Municipality has budgeted for MSCOA under Financial Consultants line item on table SA1 under general expenses. The line item will be adjusted accordingly as it is anticipated that more funding will be required to fully implement this project.

**Contracted Services**

Contracted services have been identified as a cost saving area for the municipality. As part of the compilation of the 2017/18 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced.

**Transfers and Grants**

This line item has decreased in 2016-17 from R20,810 to R14,745 in 2017-18, the decrease is the result of the INEP Grant amount that has decreased during this financial year.

## Other Expenditure

| KZN276 The New Big 5 False Bay - Supporting Table SA1 Supportinging detail to 'Budgeted Financial Performance' | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Description | Ref | 2013/14 | 2014/15 | 2015/16 | Current Year 2016/17 | | | | 2017/18 Medium Term Revenue & Expenditure Framework | | |
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| R thousand | | | | | | | | | | | |
| Other Expenditure By Type | | | | | | | | | | | |
| Collection costs | | | | | | | | | | | |
| Contributions to 'other' provisions | | | | | | | | | | | |
| Consultant fees | | | | | | | | | 3 000 | 3 120 | 3 245 |
| Audit fees | | | | | | | | | 3 784 | 3 935 | 4 093 |
| General expenses | 3 | | | | | | | | 7 576 | 7 794 | 7 079 |
| *Art & Culture* | | | | | | | | | 500 | 520 | 541 |
| *Sports and Recreation* | | | | | | | | | 430 | 447 | 465 |
| *Disaster Relief* | | | | | | | | | 700 | 728 | 757 |
| *Training* | | | | | | | | | 900 | 936 | 973 |
| *Insurance* | | | | | | | | | 750 | 265 | 281 |
| *Fuel and Oil* | | | | | | | | | 800 | 832 | 865 |
| *Subsistance and travel* | | | | | | | | | 650 | 676 | 703 |
| *Postage and Courier* | | | | | | | | | – | – | – |
| *Social Uplifment* | | | | | | | | | 300 | 312 | 324 |
| *Local Economic Development* | | | | | | | | | 2 000 | 2 080 | 2 163 |
| *Licences* | | | | | | | | | 200 | 208 | 216 |
| *Advertising* | | | | | | | | | 337 | 350 | 364 |
| *Stationery* | | | | | | | | | 650 | 676 | 703 |
| *Telephone* | | | | | | | | | – | – | – |
| *Audit Committee fee* | | | | | | | | | | – | – |
| *Electricity* | | | | | | | | | 799 | 831 | 864 |
| legal fees | | | | | | | | | 400 | 416 | 433 |
| Bank Charges | | | | | | | | | 100 | 104 | 108 |
| Group Life | | | | | | | | | – | – | – |
| Committee Expenses | | | | | | | | | 1 500 | 1 560 | 1 622 |
| Special Programmes | | | | | | | | | – | – | – |
| Ward Committee Expenses | | | | | | | | | – | – | – |
| **Total 'Other' Expenditure** | 1 | – | – | – | – | – | – | – | **25 376** | **25 791** | **25 801** |

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. A full breakdown has been provided in table above and there are items that are budgeted under general expenditure which includes the list below;

- Poverty Alleviation
- Gender Programmes
- Senior Citizens programmes
- Children and disability support programmes
- HIV and Aids programme
- Youth Support Programme
- SOD Turning
- Social and upliftment / Events.
- And other expenditure

## 4. Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the municipality's Indigent Policy, an amount of R745,000.00 is budgeted to provide for this service in the 2017/18 financial year.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

## 1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

**KZN276 The New Big 5 False Bay - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding**

| Vote Description | Ref | 2013/14 | 2014/15 | 2015/16 | Current Year 2016/17 | | | | 2017/18 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | 1 | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| **Capital expenditure - Vote** | | | | | | | | | | | |
| **Multi-year expenditure** *to be appropriated* | 2 | | | | | | | | | | |
| Vote 1 - Executive & Council | | – | – | – | – | – | – | – | – | 1 404 | 1 404 |
| Vote 2 - Budget & Treasury Office | | – | – | – | – | – | – | – | – | 224 | 224 |
| Vote 3 - Corporate Services | | – | – | – | – | – | – | – | – | – | – |
| Vote 4 - Community Servives | | – | – | – | – | – | – | – | 13 664 | 14 129 | 15 361 |
| Vote 5 - Planning Services | | – | – | – | – | – | – | – | 8 000 | 9 806 | 9 806 |
| Vote 6 - Public Safety | | – | – | – | – | – | – | – | – | 648 | 648 |
| Vote 7 - [NAME OF VOTE 7] | | – | – | – | – | – | – | – | – | – | – |
| Vote 8 - [NAME OF VOTE 8] | | – | – | – | – | – | – | – | – | – | – |
| Vote 9 - [NAME OF VOTE 9] | | – | – | – | – | – | – | – | – | – | – |
| Vote 10 - [NAME OF VOTE 10] | | – | – | – | – | – | – | – | – | – | – |
| Vote 11 - [NAME OF VOTE 11] | | – | – | – | – | – | – | – | – | – | – |
| Vote 12 - [NAME OF VOTE 12] | | – | – | – | – | – | – | – | – | – | – |
| Vote 13 - [NAME OF VOTE 13] | | – | – | – | – | – | – | – | – | – | – |
| Vote 14 - [NAME OF VOTE 14] | | – | – | – | – | – | – | – | – | – | – |
| Vote 15 - [NAME OF VOTE 15] | | – | – | – | – | – | – | – | – | – | – |
| **Capital multi-year expenditure sub-total** | 7 | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **21 664** | **26 211** | **27 443** |
| **Single-year expenditure** *to be appropriated* | 2 | | | | | | | | | | |
| Vote 1 - Executive & Council | | – | – | – | – | – | – | – | – | – | – |
| Vote 2 - Budget & Treasury Office | | – | – | – | – | – | – | – | – | – | – |
| Vote 3 - Corporate Services | | – | – | – | – | – | – | – | – | – | – |
| Vote 4 - Community Servives | | – | – | – | – | – | – | – | – | – | – |
| Vote 5 - Planning Services | | – | – | – | – | – | – | – | – | – | – |
| Vote 6 - Public Safety | | – | – | – | – | – | – | – | – | – | – |
| Vote 7 - [NAME OF VOTE 7] | | – | – | – | – | – | – | – | – | – | – |
| Vote 8 - [NAME OF VOTE 8] | | – | – | – | – | – | – | – | – | – | – |
| Vote 9 - [NAME OF VOTE 9] | | – | – | – | – | – | – | – | – | – | – |
| Vote 10 - [NAME OF VOTE 10] | | – | – | – | – | – | – | – | – | – | – |
| Vote 11 - [NAME OF VOTE 11] | | – | – | – | – | – | – | – | – | – | – |
| Vote 12 - [NAME OF VOTE 12] | | – | – | – | – | – | – | – | – | – | – |
| Vote 13 - [NAME OF VOTE 13] | | – | – | – | – | – | – | – | – | – | – |
| Vote 14 - [NAME OF VOTE 14] | | – | – | – | – | – | – | – | – | – | – |
| Vote 15 - [NAME OF VOTE 15] | | – | – | – | – | – | – | – | – | – | – |
| **Capital single-year expenditure sub-total** | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Total Capital Expenditure - Vote** | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **21 664** | **26 211** | **27 443** |

For 2017/18 an amount of R21,664 million has been appropriated for the development of infrastructure & other working equipment's. In the outer years this amount totals R26,211 million, and R27,443 million, respectively for each of the financial years.

## 1.7 Annual Budget Tables

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2017/18 budget and MTREF as approved by the Council. Each table is accompanied by explanatory notes on the facing page

**KZN276 The New Big 5 False Bay - Table A1 Budget Summary**

| Description | 2013/14 | 2014/15 | 2015/16 | Current Year 2016/17 | | | | 2017/18 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|
| R thousands | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| **Financial Performance** | | | | | | | | | | |
| Property rates | – | – | – | – | – | – | – | 14 428 | 15 779 | 15 779 |
| Service charges | – | – | – | – | – | – | – | 1 962 | 2 081 | 2 081 |
| Investment revenue | – | – | – | – | – | – | – | 500 | 1 203 | 1 203 |
| Transfers recognised - operational | – | – | – | – | – | – | – | 111 123 | 114 702 | 123 099 |
| Other own revenue | – | – | – | – | – | – | – | 5 170 | 7 686 | 8 002 |
| **Total Revenue (excluding capital transfers and contributions)** | – | – | – | – | – | – | – | 133 183 | 141 451 | 150 164 |
| Employee costs | – | – | – | – | – | – | – | 60 182 | 64 832 | 69 435 |
| Remuneration of councillors | – | – | – | – | – | – | – | 6 926 | 7 886 | 7 886 |
| Depreciation & asset impairment | – | – | – | – | – | – | – | 7 500 | 7 000 | 7 350 |
| Finance charges | – | – | – | – | – | – | – | 120 | 125 | 131 |
| Materials and bulk purchases | – | – | – | – | – | – | – | 5 000 | 5 200 | 5 460 |
| Transfers and grants | – | – | – | – | – | – | – | 14 745 | 14 790 | 18 837 |
| Other expenditure | – | – | – | – | – | – | – | 37 627 | 38 438 | 39 565 |
| **Total Expenditure** | – | – | – | – | – | – | – | 132 101 | 138 270 | 148 664 |
| **Surplus/(Deficit)** | – | – | – | – | – | – | – | 1 082 | 3 181 | 1 500 |
| Transfers and subsidies - capital (monetary alloc | – | – | – | – | – | – | – | 21 664 | 22 697 | 23 788 |
| Contributions recognised - capital & contributed a | – | – | – | – | – | – | – | – | – | – |
| **Surplus/(Deficit) after capital transfers & contributions** | – | – | – | – | – | – | – | 22 746 | 25 878 | 25 288 |
| Share of surplus/ (deficit) of associate | – | – | – | – | – | – | – | – | – | – |
| **Surplus/(Deficit) for the year** | – | – | – | – | – | – | – | 22 746 | 25 878 | 25 288 |
| **Capital expenditure & funds sources** | | | | | | | | | | |
| **Capital expenditure** | – | – | – | – | – | – | – | 21 664 | 26 211 | 27 443 |
| Transfers recognised - capital | – | – | – | – | – | – | – | 21 664 | 22 697 | 23 788 |
| Public contributions & donations | – | – | – | – | – | – | – | – | – | – |
| Borrowing | – | – | – | – | – | – | – | – | – | – |
| Internally generated funds | – | – | – | – | – | – | – | – | 3 514 | 3 655 |
| **Total sources of capital funds** | – | – | – | – | – | – | – | 21 664 | 26 211 | 27 443 |
| **Financial position** | | | | | | | | | | |
| Total current assets | – | – | – | – | – | – | – | 17 669 | 23 810 | 43 347 |
| Total non current assets | – | – | – | – | – | – | – | 322 702 | 335 556 | 349 511 |
| Total current liabilities | – | – | – | – | – | – | – | 11 351 | 8 000 | 8 100 |
| Total non current liabilities | – | – | – | – | – | – | – | 5 000 | 5 200 | 5 300 |
| Community wealth/Equity | – | – | – | – | – | – | – | 324 020 | 346 166 | 379 458 |
| **Cash flows** | | | | | | | | | | |
| Net cash from (used) operating | – | – | – | – | – | – | – | 23 401 | 33 786 | 48 500 |
| Net cash from (used) investing | – | – | – | – | – | – | – | (21 664) | (26 211) | (27 443) |
| Net cash from (used) financing | – | – | – | – | – | – | – | – | – | – |
| **Cash/cash equivalents at the year end** | – | – | – | – | – | – | – | 2 240 | 9 815 | 30 873 |
| **Cash backing/surplus reconciliation** | | | | | | | | | | |
| Cash and investments available | – | – | – | – | – | – | – | 2 240 | 9 815 | 30 873 |
| Application of cash and investments | – | – | – | – | – | – | – | 1 589 | (4 086) | (8 823) |
| **Balance - surplus (shortfall)** | – | – | – | – | – | – | – | 651 | 13 901 | 39 696 |
| **Asset management** | | | | | | | | | | |
| Asset register summary (WDV) | – | – | – | – | – | – | 320 802 | 320 802 | 333 636 | 347 551 |
| Depreciation | – | – | – | – | – | – | 7 500 | 7 500 | 7 000 | 7 350 |
| Renewal of Existing Assets | – | – | – | – | – | – | – | 6 500 | 7 500 | 8 500 |
| Repairs and Maintenance | – | – | – | – | – | – | 5 378 | 5 378 | 5 701 | 6 043 |
| **Free services** | | | | | | | | | | |
| Cost of Free Basic Services provided | – | – | – | – | – | – | – | – | – | – |
| Revenue cost of free services provided | – | – | – | – | – | – | 648 | 648 | 648 | 648 |
| **Households below minimum service level** | | | | | | | | | | |
| Water: | – | – | – | – | – | – | 0 | 0 | 0 | 0 |
| Sanitation/sewerage: | – | – | – | – | – | – | 0 | 0 | 0 | 0 |
| Energy: | – | – | – | – | – | – | 0 | 0 | 0 | 0 |
| Refuse: | – | – | – | – | – | – | 9 | 9 | 9 | 9 |

**Explanatory notes to MBRR Table A1 – Final Budget Summary**

1. Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).

2. The table provides an overview of the amounts noted by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.

3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:

a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF

b. Capital expenditure is balanced by capital funding sources, of which

- Transfers recognised is reflected on the Financial Performance Budget;
- Borrowing is incorporated in the net cash from financing on the Cash Flow Budget

4. The Cash backing/surplus reconciliation shows that in this financial year the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This places the new municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations.

5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the new municipality to continue make progress in addressing service delivery backlogs.

**KZN276 The New Big 5 False Bay - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)**

| Functional Classification Description | Ref | 2013/14 | 2014/15 | 2015/16 | Current Year 2016/17 | | | 2017/18 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | 1 | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| **Revenue - Functional** | | | | | | | | | | |
| ***Governance and administration*** | | – | – | – | – | – | – | **106 249** | **110 576** | **116 125** |
| Executive and council | | – | – | – | – | – | – | 86 622 | 89 772 | 94 072 |
| Finance and administration | | – | – | – | – | – | – | 19 627 | 20 804 | 22 053 |
| Internal audit | | – | – | – | – | – | – | – | – | – |
| ***Community and public safety*** | | – | – | – | – | – | – | **8 704** | **10 405** | **9 827** |
| Community and social services | | – | – | – | – | – | – | 2 165 | 3 473 | 2 379 |
| Sport and recreation | | – | – | – | – | – | – | 2 675 | 2 836 | 3 006 |
| Public safety | | – | – | – | – | – | – | 3 864 | 4 096 | 4 442 |
| Housing | | – | – | – | – | – | – | – | – | – |
| Health | | – | – | – | – | – | – | – | – | – |
| ***Economic and environmental services*** | | – | – | – | – | – | – | **35 791** | **38 818** | **43 391** |
| Planning and development | | – | – | – | – | – | – | 21 664 | 23 844 | 27 518 |
| Road transport | | – | – | – | – | – | – | 14 127 | 14 975 | 15 873 |
| Environmental protection | | – | – | – | – | – | – | – | – | – |
| ***Trading services*** | | – | – | – | – | – | – | **4 103** | **4 349** | **4 610** |
| Energy sources | | – | – | – | – | – | – | – | – | – |
| Water management | | – | – | – | – | – | – | – | – | – |
| Waste water management | | – | – | – | – | – | – | – | – | – |
| Waste management | | – | – | – | – | – | – | 4 103 | 4 349 | 4 610 |
| ***Other*** | 4 | – | – | – | – | – | – | – | – | – |
| **Total Revenue - Functional** | 2 | – | – | – | – | – | – | **154 847** | **164 148** | **173 952** |
| **Expenditure - Functional** | | | | | | | | | | |
| ***Governance and administration*** | | – | – | – | – | – | – | **75 862** | **77 989** | **84 835** |
| Executive and council | | – | – | – | – | – | – | 32 000 | 32 663 | 35 552 |
| Finance and administration | | – | – | – | – | – | – | 43 862 | 45 326 | 49 283 |
| Internal audit | | – | – | – | – | – | – | – | – | – |
| ***Community and public safety*** | | – | – | – | – | – | – | **20 615** | **21 852** | **23 163** |
| Community and social services | | – | – | – | – | – | – | 12 271 | 13 008 | 13 788 |
| Sport and recreation | | – | – | – | – | – | – | – | – | – |
| Public safety | | – | – | – | – | – | – | 8 344 | 8 844 | 9 375 |
| Housing | | – | – | – | – | – | – | – | – | – |
| Health | | – | – | – | – | – | – | – | – | – |
| ***Economic and environmental services*** | | – | – | – | – | – | – | **31 613** | **34 179** | **36 160** |
| Planning and development | | – | – | – | – | – | – | 4 975 | 5 942 | 6 310 |
| Road transport | | – | – | – | – | – | – | 26 638 | 28 237 | 29 850 |
| Environmental protection | | – | – | – | – | – | – | – | – | – |
| ***Trading services*** | | – | – | – | – | – | – | **4 011** | **4 251** | **4 506** |
| Energy sources | | – | – | – | – | – | – | – | – | – |
| Water management | | – | – | – | – | – | – | – | – | – |
| Waste water management | | – | – | – | – | – | – | – | – | – |
| Waste management | | – | – | – | – | – | – | 4 011 | 4 251 | 4 506 |
| ***Other*** | 4 | – | – | – | – | – | – | – | – | – |
| **Total Expenditure - Functional** | 3 | – | – | – | – | – | – | **132 101** | **138 270** | **148 664** |
| **Surplus/(Deficit) for the year** | | – | – | – | – | – | – | **22 746** | **25 878** | **25 288** |

## Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms if each of these functional areas which enables the National Treasury to compile "whole of government" reports.

2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.

3. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services.

**KZN276 The New Big 5 False Bay - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)**

| Vote Description | Ref | 2013/14 | 2014/15 | 2015/16 | Current Year 2016/17 | | | 2017/18 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| **Revenue by Vote** | 1 | | | | | | | | | |
| Vote 1 - Executive & Council | | – | – | – | – | – | – | 86 623 | 91 820 | 97 329 |
| Vote 2 - Budget & Treasury Office | | – | – | – | – | – | – | 19 605 | 20 782 | 22 028 |
| Vote 3 - Corporate Services | | – | – | – | – | – | – | 22 | 23 | 24 |
| Vote 4 - Community Servives | | – | – | – | – | – | – | 4 840 | 6 309 | 5 385 |
| Vote 5 - Planning Services | | – | – | – | – | – | – | 39 894 | 43 167 | 48 000 |
| Vote 6 - Public Safety | | – | – | – | – | – | – | 3 864 | 2 048 | 1 185 |
| Vote 7 - [NAME OF VOTE 7] | | – | – | – | – | – | – | – | – | – |
| Vote 8 - [NAME OF VOTE 8] | | – | – | – | – | – | – | – | – | – |
| Vote 9 - [NAME OF VOTE 9] | | – | – | – | – | – | – | – | – | – |
| Vote 10 - [NAME OF VOTE 10] | | – | – | – | – | – | – | – | – | – |
| Vote 11 - [NAME OF VOTE 11] | | – | – | – | – | – | – | – | – | – |
| Vote 12 - [NAME OF VOTE 12] | | – | – | – | – | – | – | – | – | – |
| Vote 13 - [NAME OF VOTE 13] | | – | – | – | – | – | – | – | – | – |
| Vote 14 - [NAME OF VOTE 14] | | – | – | – | – | – | – | – | – | – |
| Vote 15 - [NAME OF VOTE 15] | | – | – | – | – | – | – | – | – | – |
| **Total Revenue by Vote** | 2 | **–** | **–** | **–** | **–** | **–** | **–** | **154 847** | **164 148** | **173 952** |
| **Expenditure by Vote** ***to be appropriated*** | 1 | | | | | | | | | |
| Vote 1 - Executive & Council | | – | – | – | – | – | – | 32 000 | 32 663 | 35 552 |
| Vote 2 - Budget & Treasury Office | | – | – | – | – | – | – | 24 933 | 25 261 | 28 015 |
| Vote 3 - Corporate Services | | – | – | – | – | – | – | 14 320 | 15 179 | 16 090 |
| Vote 4 - Community Servives | | – | – | – | – | – | – | 16 880 | 17 893 | 18 967 |
| Vote 5 - Planning Services | | – | – | – | – | – | – | 35 624 | 38 430 | 40 666 |
| Vote 6 - Public Safety | | – | – | – | – | – | – | 8 344 | 8 844 | 9 375 |
| Vote 7 - [NAME OF VOTE 7] | | – | – | – | – | – | – | – | – | – |
| Vote 8 - [NAME OF VOTE 8] | | – | – | – | – | – | – | – | – | – |
| Vote 9 - [NAME OF VOTE 9] | | – | – | – | – | – | – | – | – | – |
| Vote 10 - [NAME OF VOTE 10] | | – | – | – | – | – | – | – | – | – |
| Vote 11 - [NAME OF VOTE 11] | | – | – | – | – | – | – | – | – | – |
| Vote 12 - [NAME OF VOTE 12] | | – | – | – | – | – | – | – | – | – |
| Vote 13 - [NAME OF VOTE 13] | | – | – | – | – | – | – | – | – | – |
| Vote 14 - [NAME OF VOTE 14] | | – | – | – | – | – | – | – | – | – |
| Vote 15 - [NAME OF VOTE 15] | | – | – | – | – | – | – | – | – | – |
| **Total Expenditure by Vote** | 2 | **–** | **–** | **–** | **–** | **–** | **–** | **132 101** | **138 270** | **148 664** |
| **Surplus/(Deficit) for the year** | 2 | **–** | **–** | **–** | **–** | **–** | **–** | **22 746** | **25 878** | **25 288** |

## Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organizational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote.

**KZN276 The New Big 5 False Bay - Table A4 Budgeted Financial Performance (revenue and expenditure)**

| Description | Ref | 2013/14 | 2014/15 | 2015/16 | Current Year 2016/17 | | | | 2017/18 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | 1 | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| **Revenue By Source** | | | | | | | | | | | |
| Property rates | 2 | – | – | – | – | – | – | – | 14 428 | 15 779 | 15 779 |
| Service charges - electricity revenue | 2 | – | – | – | – | – | – | – | – | – | – |
| Service charges - water revenue | 2 | – | – | – | – | – | – | – | – | – | – |
| Service charges - sanitation revenue | 2 | – | – | – | – | – | – | – | – | – | – |
| Service charges - refuse revenue | 2 | – | – | – | – | – | – | – | 1 962 | 2 081 | 2 081 |
| Service charges - other | | | | | | | | | | | |
| Rental of facilities and equipment | | | | | | | | | 205 | 197 | 418 |
| Interest earned - external investments | | | | | | | | | 500 | 1 203 | 1 203 |
| Interest earned - outstanding debtors | | | | | | | | | 783 | 1 994 | 1 994 |
| Dividends received | | | | | | | | | | | |
| Fines, penalties and forfeits | | | | | | | | | 1 500 | 2 173 | 2 173 |
| Licences and permits | | | | | | | | | 2 309 | 2 795 | 2 895 |
| Agency services | | | | | | | | | | | |
| Transfers and subsidies | | | | | | | | | 111 123 | 114 702 | 123 099 |
| Other revenue | 2 | – | – | – | – | – | – | – | 374 | 527 | 522 |
| Gains on disposal of PPE | | | | | | | | | | | |
| **Total Revenue (excluding capital transfers and contributions)** | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **133 183** | **141 451** | **150 164** |
| **Expenditure By Type** | | | | | | | | | | | |
| Employee related costs | 2 | – | – | – | – | – | – | – | 60 182 | 64 832 | 69 435 |
| Remuneration of councillors | | | | | | | | | 6 926 | 7 886 | 7 886 |
| Debt impairment | 3 | | | | | | | | 3 000 | 3 120 | 3 276 |
| Depreciation & asset impairment | 2 | – | – | – | – | – | – | – | 7 500 | 7 000 | 7 350 |
| Finance charges | | | | | | | | | 120 | 125 | 131 |
| Bulk purchases | 2 | – | – | – | – | – | – | – | – | – | – |
| Other materials | 8 | | | | | | | | 5 000 | 5 200 | 5 460 |
| Contracted services | | – | – | – | – | – | – | – | 9 252 | 9 527 | 10 066 |
| Transfers and subsidies | | – | – | – | – | – | – | – | 14 745 | 14 790 | 18 837 |
| Other expenditure | 4, 5 | – | – | – | – | – | – | – | 25 376 | 25 791 | 26 223 |
| Loss on disposal of PPE | | | | | | | | | | | |
| **Total Expenditure** | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **132 101** | **138 270** | **148 664** |
| **Surplus/(Deficit)** | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **1 082** | **3 181** | **1 500** |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial and District) | | | | | | | | | 21 664 | 22 697 | 23 788 |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher | 6 | – | – | – | – | – | – | – | – | – | – |
| Transfers and subsidies - capital (in-kind - all) | | | | | | | | | | | |
| **Surplus/(Deficit) after capital transfers & contributions** | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **22 746** | **25 878** | **25 288** |
| Taxation | | | | | | | | | | | |
| **Surplus/(Deficit) after taxation** | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **22 746** | **25 878** | **25 288** |
| Attributable to minorities | | | | | | | | | | | |
| **Surplus/(Deficit) attributable to municipality** | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **22 746** | **25 878** | **25 288** |
| Share of surplus/ (deficit) of associate | 7 | | | | | | | | | | |
| **Surplus/(Deficit) for the year** | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **22 746** | **25 878** | **25 288** |

## Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total operational revenue is R133,183 million in 2017/18 and decreases to R141,452 million by 2018/19.

2. Revenue to be generated from property rates is R8,142 million in the 2016/17 financial year and increases to R14,428 million by 2017/18 which represents 44 per cent of the operating revenue base of the municipality and therefore remains a significant funding source for the municipality.

3. Services charges relating to refuse removal constitutes the component of the revenue basket of the municipality totalling R1, 701 million for the 2016/17 financial year and increasing to R1, 962 million by 2017/18. The 2016/17 financial year services charges amount to 13 per cent of the total revenue base.

4. Transfers recognised – operating includes the local government Equitable share and other operating grants from National and Provincial Government.

5. Employee related costs is the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage. This expenditure line item has been greatly affected by the resolutions taken as a result of the merger.

**KZN276 The New Big 5 False Bay - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding**

| Vote Description | Ref | 2013/14 | 2014/15 | 2015/16 | Current Year 2016/17 | | | | 2017/18 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | 1 | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| **Capital expenditure - Vote** | | | | | | | | | | | |
| **Multi-year expenditure** *to be appropriated* | 2 | | | | | | | | | | |
| Vote 1 - Executive & Council | | – | – | – | – | – | – | – | – | 1 404 | 1 404 |
| Vote 2 - Budget & Treasury Office | | – | – | – | – | – | – | – | – | 224 | 224 |
| Vote 3 - Corporate Services | | – | – | – | – | – | – | – | – | – | – |
| Vote 4 - Community Servives | | – | – | – | – | – | – | – | 13 664 | 14 129 | 15 361 |
| Vote 5 - Planning Services | | – | – | – | – | – | – | – | 8 000 | 9 806 | 9 806 |
| Vote 6 - Public Safety | | – | – | – | – | – | – | – | – | 648 | 648 |
| Vote 7 - [NAME OF VOTE 7] | | – | – | – | – | – | – | – | – | – | – |
| Vote 8 - [NAME OF VOTE 8] | | – | – | – | – | – | – | – | – | – | – |
| Vote 9 - [NAME OF VOTE 9] | | – | – | – | – | – | – | – | – | – | – |
| Vote 10 - [NAME OF VOTE 10] | | – | – | – | – | – | – | – | – | – | – |
| Vote 11 - [NAME OF VOTE 11] | | – | – | – | – | – | – | – | – | – | – |
| Vote 12 - [NAME OF VOTE 12] | | – | – | – | – | – | – | – | – | – | – |
| Vote 13 - [NAME OF VOTE 13] | | – | – | – | – | – | – | – | – | – | – |
| Vote 14 - [NAME OF VOTE 14] | | – | – | – | – | – | – | – | – | – | – |
| Vote 15 - [NAME OF VOTE 15] | | – | – | – | – | – | – | – | – | – | – |
| **Capital multi-year expenditure sub-total** | 7 | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **21 664** | **26 211** | **27 443** |
| **Single-year expenditure** *to be appropriated* | 2 | | | | | | | | | | |
| Vote 1 - Executive & Council | | – | – | – | – | – | – | – | – | – | – |
| Vote 2 - Budget & Treasury Office | | – | – | – | – | – | – | – | – | – | – |
| Vote 3 - Corporate Services | | – | – | – | – | – | – | – | – | – | – |
| Vote 4 - Community Servives | | – | – | – | – | – | – | – | – | – | – |
| Vote 5 - Planning Services | | – | – | – | – | – | – | – | – | – | – |
| Vote 6 - Public Safety | | – | – | – | – | – | – | – | – | – | – |
| Vote 7 - [NAME OF VOTE 7] | | – | – | – | – | – | – | – | – | – | – |
| Vote 8 - [NAME OF VOTE 8] | | – | – | – | – | – | – | – | – | – | – |
| Vote 9 - [NAME OF VOTE 9] | | – | – | – | – | – | – | – | – | – | – |
| Vote 10 - [NAME OF VOTE 10] | | – | – | – | – | – | – | – | – | – | – |
| Vote 11 - [NAME OF VOTE 11] | | – | – | – | – | – | – | – | – | – | – |
| Vote 12 - [NAME OF VOTE 12] | | – | – | – | – | – | – | – | – | – | – |
| Vote 13 - [NAME OF VOTE 13] | | – | – | – | – | – | – | – | – | – | – |
| Vote 14 - [NAME OF VOTE 14] | | – | – | – | – | – | – | – | – | – | – |
| Vote 15 - [NAME OF VOTE 15] | | – | – | – | – | – | – | – | – | – | – |
| **Capital single-year expenditure sub-total** | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Total Capital Expenditure - Vote** | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **21 664** | **26 211** | **27 443** |
| **Capital Expenditure - Functional** | | | | | | | | | | | |
| ***Governance and administration*** | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **1 628** | **1 628** |
| Executive and council | | | | | | | | | – | 1 404 | 1 404 |
| Finance and administration | | | | | | | | | – | 224 | 224 |
| Internal audit | | | | | | | | | | | |
| ***Community and public safety*** | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **13 664** | **14 777** | **16 009** |
| Community and social services | | | | | | | | | 7 664 | 11 376 | 12 608 |
| Sport and recreation | | | | | | | | | 6 000 | 2 753 | 2 753 |
| Public safety | | | | | | | | | – | 648 | 648 |
| Housing | | | | | | | | | | | |
| Health | | | | | | | | | | | |
| ***Economic and environmental services*** | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **8 000** | **9 806** | **9 806** |
| Planning and development | | | | | | | | | 2 000 | 3 888 | 3 888 |
| Road transport | | | | | | | | | 6 000 | 5 918 | 5 918 |
| Environmental protection | | | | | | | | | | | |
| ***Trading services*** | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| Energy sources | | | | | | | | | | | |
| Water management | | | | | | | | | | | |
| Waste water management | | | | | | | | | | | |
| Waste management | | | | | | | | | | | |
| ***Other*** | | | | | | | | | | | |
| **Total Capital Expenditure - Functional** | 3 | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **21 664** | **26 211** | **27 443** |
| **Funded by:** | | | | | | | | | | | |
| National Government | | | | | | | | | 21 664 | 22 697 | 23 788 |
| Provincial Government | | | | | | | | | | | |
| District Municipality | | | | | | | | | | | |
| Other transfers and grants | | | | | | | | | | | |
| **Transfers recognised - capital** | 4 | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **21 664** | **22 697** | **23 788** |
| **Public contributions & donations** | 5 | | | | | | | | | | |
| **Borrowing** | 6 | | | | | | | | | | |
| **Internally generated funds** | | | | | | | | | – | 3 514 | 3 655 |
| **Total Capital Funding** | 7 | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **21 664** | **26 211** | **27 443** |

*References*

**Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.

3. Single-year capital expenditure has been appropriated at R25,043 million for the 2017/18 financial year and slightly increasing over the MTREF at levels of R26,211 million and R27,443 million respectively for the two outer years.

4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.

**KZN276 The New Big 5 False Bay - Table A6 Budgeted Financial Position**

| Description | Ref | 2013/14 | 2014/15 | 2015/16 | Current Year 2016/17 | | | | 2017/18 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| **ASSETS** | | | | | | | | | | | |
| **Current assets** | | | | | | | | | | | |
| Cash | | | | | | | | | 2 240 | 9 815 | 30 873 |
| Call investment deposits | 1 | – | – | – | – | – | – | – | – | – | – |
| Consumer debtors | 1 | – | – | – | – | – | – | – | 14 122 | 12 609 | 11 005 |
| Other debtors | | | | | | | | | 401 | 425 | 451 |
| Current portion of long-term receivables | | | | | | | | | 903 | 957 | 1 015 |
| Inventory | 2 | | | | | | | | 3 | 3 | 3 |
| **Total current assets** | | – | – | – | – | – | – | – | **17 669** | **23 810** | **43 347** |
| **Non current assets** | | | | | | | | | | | |
| Long-term receivables | | | | | | | | | | | |
| Investments | | | | | | | | | | | |
| Investment property | | | | | | | | | 25 809 | 26 841 | 28 452 |
| Investment in Associate | | | | | | | | | | | |
| Property, plant and equipment | 3 | – | – | – | – | – | – | – | 294 293 | 306 065 | 318 307 |
| Agricultural | | | | | | | | | | | |
| Biological | | | | | | | | | | | |
| Intangible | | | | | | | | | 700 | 730 | 792 |
| Other non-current assets | | | | | | | | | 1 900 | 1 920 | 1 960 |
| **Total non current assets** | | – | – | – | – | – | – | – | **322 702** | **335 556** | **349 511** |
| **TOTAL ASSETS** | | – | – | – | – | – | – | – | **340 371** | **359 366** | **392 858** |
| **LIABILITIES** | | | | | | | | | | | |
| **Current liabilities** | | | | | | | | | | | |
| Bank overdraft | 1 | | | | | | | | | | |
| Borrowing | 4 | – | – | – | – | – | – | – | – | – | – |
| Consumer deposits | | | | | | | | | | | |
| Trade and other payables | 4 | – | – | – | – | – | – | – | 11 351 | 8 000 | 8 100 |
| Provisions | | | | | | | | | | | |
| **Total current liabilities** | | – | – | – | – | – | – | – | **11 351** | **8 000** | **8 100** |
| **Non current liabilities** | | | | | | | | | | | |
| Borrowing | | – | – | – | – | – | – | – | – | – | – |
| Provisions | | – | – | – | – | – | – | – | 5 000 | 5 200 | 5 300 |
| **Total non current liabilities** | | – | – | – | – | – | – | – | **5 000** | **5 200** | **5 300** |
| **TOTAL LIABILITIES** | | – | – | – | – | – | – | – | **16 351** | **13 200** | **13 400** |
| **NET ASSETS** | 5 | – | – | – | – | – | – | – | **324 020** | **346 166** | **379 458** |
| **COMMUNITY WEALTH/EQUITY** | | | | | | | | | | | |
| Accumulated Surplus/(Deficit) | | | | | | | | | 324 020 | 346 166 | 379 458 |
| Reserves | 4 | – | – | – | – | – | – | – | – | – | – |
| **TOTAL COMMUNITY WEALTH/EQUITY** | 5 | – | – | – | – | – | – | – | **324 020** | **346 166** | **379 458** |

## Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good fiscal management practice, and improves understandability for councillors and management of the impact of the budget on the statement of financial position (balance sheet).

2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

3. Table A6 is supported by an extensive table of notes (SA3) providing a detailed analysis of the major components of a number of items, including:

- Consumer debtors;
- Property, plant and equipment;

- Trade and other payables;
- Provisions non-current;
- Changes in net assets; and
- Reserves

4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

**KZN276 The New Big 5 False Bay - Table A7 Budgeted Cash Flows**

| Description | Ref | 2013/14 | 2014/15 | 2015/16 | Current Year 2016/17 | | | | 2017/18 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | | | | | | | | | |
| **Receipts** | | | | | | | | | | | |
| Property rates | | | | | | | | | 10 100 | 17 169 | 29 188 |
| Service charges | | | | | | | | | 1 373 | 2 335 | 3 969 |
| Other revenue | | | | | | | | | 3 242 | 4 183 | 5 049 |
| Government - operating | 1 | | | | | | | | 111 123 | 114 702 | 123 099 |
| Government - capital | 1 | | | | | | | | 21 664 | 22 697 | 23 788 |
| Interest | | | | | | | | | 500 | 850 | 1 445 |
| Dividends | | | | | | | | | – | – | – |
| **Payments** | | | | | | | | | | | |
| Suppliers and employees | | | | | | | | | (109 736) | (113 235) | (119 069) |
| Finance charges | | | | | | | | | (120) | (125) | (131) |
| Transfers and Grants | 1 | | | | | | | | (14 745) | (14 790) | (18 837) |
| **NET CASH FROM/(USED) OPERATING ACTIVITIES** | | – | – | – | – | – | – | – | **23 401** | **33 786** | **48 500** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | | | | | | | |
| **Receipts** | | | | | | | | | | | |
| Proceeds on disposal of PPE | | | | | | | | | – | – | – |
| Decrease (Increase) in non-current debtors | | | | | | | | | – | – | – |
| Decrease (increase) other non-current receivables | | | | | | | | | – | – | – |
| Decrease (increase) in non-current investments | | | | | | | | | – | – | – |
| **Payments** | | | | | | | | | | | |
| Capital assets | | | | | | | | | (21 664) | (26 211) | (27 443) |
| **NET CASH FROM/(USED) INVESTING ACTIVITIES** | | – | – | – | – | – | – | – | **(21 664)** | **(26 211)** | **(27 443)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | | | | | | | |
| **Receipts** | | | | | | | | | | | |
| Short term loans | | | | | | | | | – | – | – |
| Borrowing long term/refinancing | | | | | | | | | – | – | – |
| Increase (decrease) in consumer deposits | | | | | | | | | – | – | – |
| **Payments** | | | | | | | | | | | |
| Repayment of borrowing | | | | | | | | | – | – | – |
| **NET CASH FROM/(USED) FINANCING ACTIVITIES** | | – | – | – | – | – | – | – | – | – | – |
| **NET INCREASE/ (DECREASE) IN CASH HELD** | | – | – | – | – | – | – | – | **1 737** | **7 575** | **21 057** |
| Cash/cash equivalents at the year begin: | 2 | | | | | | | | **503** | **2 240** | **9 815** |
| Cash/cash equivalents at the year end: | 2 | – | – | – | – | – | – | – | **2 240** | **9 815** | **30 873** |

## Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.

2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

3. The noted 2017/18 MTREF provide for a net increase in cash of R1,737 million for the 2018/19 financial year resulting in an overall projected positive cash position

4. The 2017/18 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.

5. Cash and cash equivalents totals R2,240 million as at the end of the 2017/18 financial year

## Payment to suppliers and employees

The full year forecast amount reflected in Table A7 takes into account the full budget for 2016/2017 financial year and the creditors mentioned above. This was done to ensure that minimal creditors are carried forward to 2017/2018 financial year.

**KZN276 The New Big 5 False Bay - Table A8 Cash backed reserves/accumulated surplus reconciliation**

| Description | Ref | 2013/14 | 2014/15 | 2015/16 | Current Year 2016/17 | | | | 2017/18 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| **Cash and investments available** | | | | | | | | | | | |
| Cash/cash equivalents at the year end | 1 | – | – | – | – | – | – | – | 2 240 | 9 815 | 30 873 |
| Other current investments > 90 days | | – | – | – | – | – | – | – | – | – | – |
| Non current assets - Investments | 1 | – | – | – | – | – | – | – | – | – | – |
| **Cash and investments available:** | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **2 240** | **9 815** | **30 873** |
| **Application of cash and investments** | | | | | | | | | | | |
| Unspent conditional transfers | | – | – | – | – | – | – | – | 2 451 | – | – |
| Unspent borrowing | | – | – | – | – | – | – | | – | – | – |
| Statutory requirements | 2 | | | | | | | | | | |
| Other working capital requirements | 3 | – | – | – | – | – | – | – | (1 012) | (4 086) | (8 823) |
| Other provisions | | | | | | | | | 150 | – | – |
| Long term investments committed | 4 | – | – | – | – | – | – | – | – | – | – |
| Reserves to be backed by cash/investments | 5 | | | | | | | | | | |
| **Total Application of cash and investments:** | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **1 589** | **(4 086)** | **(8 823)** |
| **Surplus(shortfall)** | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **651** | **13 901** | **39 696** |

## Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 86 – Funding a Municipal Budget.

2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.

3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".

4. Non-compliance with Section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.

5. Considering the requirements of Section 18 of the MFMA, it can be concluded that the adopted adjusted 2016/17 MTREF for the municipality was funded.

6. As part of the budgeting and planning guidelines that informed the compilation of the 2017/18 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

7. Other working Capital requirements budget amount of -1,012 million is based on the anticipated increase in debtors. There has been no write off as the Indigent Register has not yet been finalised and will have to consolidated. The corresponding Debt Impairment is also budgeted to increase over the years. Trade Creditors are budgeted at R11,351 million in Table SA3 for 2017/18 financial year. As indicated against payments to suppliers and employees, the municipality is in a process of ensuring full payment of creditors.

| KZN276 The New Big 5 False Bay - Table A9 Asset Management | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Description | Ref | 2013/14 | 2014/15 | 2015/16 | Current Year 2016/17 | | | 2017/18 Medium Term Revenue & Expenditure Framework | | |
| R thousand | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| | | | | | | | | | | |
| **ASSET REGISTER SUMMARY - PPE (WDV)** | 5 | | | | | | | | | |
| *Roads Infrastructure* | | | | | | | | 128 518 | 141 352 | 155 267 |
| *Storm water Infrastructure* | | | | | | | | | | |
| *Electrical Infrastructure* | | | | | | | | | | |
| *Water Supply Infrastructure* | | | | | | | | | | |
| *Sanitation Infrastructure* | | | | | | | | 1 000 | 1 000 | 1 000 |
| *Solid Waste Infrastructure* | | | | | | | | | | |
| *Rail Infrastructure* | | | | | | | | | | |
| *Coastal Infrastructure* | | | | | | | | | | |
| *Information and Communication Infrastructure* | | | | | | | | 88 730 | 88 730 | 88 730 |
| **Infrastructure** | | – | – | – | – | – | – | ***218 248*** | ***231 082*** | ***244 997*** |
| Community Facilities | | | | | | | | 47 452 | 47 452 | 47 452 |
| Sport and Recreation Facilities | | | | | | | | 25 809 | 25 809 | 25 809 |
| **Community Assets** | | – | – | – | – | – | – | ***73 261*** | ***73 261*** | ***73 261*** |
| **Heritage Assets** | | | | | | | | | | |
| Revenue Generating | | | | | | | | | | |
| Non-revenue Generating | | | | | | | | | | |
| **Investment properties** | | – | – | – | – | – | – | – | – | – |
| Operational Buildings | | | | | | | | 28 593 | 28 593 | 28 593 |
| Housing | | | | | | | | | | |
| **Other Assets** | | – | – | – | – | – | – | ***28 593*** | ***28 593*** | ***28 593*** |
| **Biological or Cultivated Assets** | | | | | | | | | | |
| Servitudes | | | | | | | | | | |
| Licences and Rights | | | | | | | | 700 | 700 | 700 |
| **Intangible Assets** | | – | – | – | – | – | – | ***700*** | ***700*** | ***700*** |
| **Computer Equipment** | | | | | | | | | | |
| **Furniture and Office Equipment** | | | | | | | | | | |
| **Machinery and Equipment** | | | | | | | | | | |
| **Transport Assets** | | | | | | | | | | |
| **Libraries** | | | | | | | | | | |
| **Zoo's, Marine and Non-biological Animals** | | | | | | | | | | |
| **TOTAL ASSET REGISTER SUMMARY - PPE (WDV)** | 5 | – | – | – | – | – | – | **320 802** | **333 636** | **347 551** |

## Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.

2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE.

3. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the municipality's strategy to address the maintenance backlog.

**KZN276 The New Big 5 False Bay - Table A10 Basic service delivery measurement**

| Description | Ref | 2013/14 | 2014/15 | 2015/16 | Current Year 2016/17 | | | 2017/18 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Outcome | Outcome | Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| **Household service targets** | 1 | | | | | | | | | |
| ***Water:*** | | | | | | | | | | |
| Piped water inside dwelling | | – | – | – | – | – | – | 1 800 | 1 800 | 1 800 |
| Piped water inside yard (but not in dwelling) | | – | – | – | – | – | – | 3 000 | 3 000 | 3 000 |
| Using public tap (at least min.service level) | 2 | – | – | – | – | – | – | 2 884 | 2 884 | 2 884 |
| Other water supply (at least min.service level) | 4 | – | – | – | – | – | – | 963 | 963 | 963 |
| *Minimum Service Level and Above sub-total* | | – | – | – | – | – | – | 8 647 | 8 647 | 8 647 |
| Using public tap (< min.service level) | 3 | – | – | – | – | – | – | – | – | – |
| Other water supply (< min.service level) | 4 | – | – | – | – | – | – | – | – | – |
| No water supply | | – | – | – | – | – | – | 93 | 93 | 93 |
| *Below Minimum Service Level sub-total* | | – | – | – | – | – | – | 93 | 93 | 93 |
| **Total number of households** | 5 | **–** | **–** | **–** | **–** | **–** | **–** | **8 740** | **8 740** | **8 740** |
| ***Sanitation/sewerage:*** | | | | | | | | | | |
| Flush toilet (connected to sewerage) | | – | – | – | – | – | – | 1 800 | 1 800 | 1 800 |
| Flush toilet (with septic tank) | | – | – | – | – | – | – | 3 000 | 3 000 | 3 000 |
| Chemical toilet | | – | – | – | – | – | – | 900 | 900 | 900 |
| Pit toilet (ventilated) | | – | – | – | – | – | – | 2 700 | 2 700 | 2 700 |
| Other toilet provisions (> min.service level) | | – | – | – | – | – | – | 183 | 183 | 183 |
| *Minimum Service Level and Above sub-total* | | – | – | – | – | – | – | 8 583 | 8 583 | 8 583 |
| Bucket toilet | | – | – | – | – | – | – | – | – | – |
| Other toilet provisions (< min.service level) | | – | – | – | – | – | – | 93 | 93 | 93 |
| No toilet provisions | | – | – | – | – | – | – | 63 | 63 | 63 |
| *Below Minimum Service Level sub-total* | | – | – | – | – | – | – | 156 | 156 | 156 |
| **Total number of households** | 5 | **–** | **–** | **–** | **–** | **–** | **–** | **8 739** | **8 739** | **8 739** |
| ***Energy:*** | | | | | | | | | | |
| Electricity (at least min.service level) | | – | – | – | – | – | – | 8 400 | 8 400 | 8 400 |
| Electricity - prepaid (min.service level) | | – | – | – | – | – | – | – | – | – |
| *Minimum Service Level and Above sub-total* | | – | – | – | – | – | – | 8 400 | 8 400 | 8 400 |
| Electricity (< min.service level) | | – | – | – | – | – | – | – | – | – |
| Electricity - prepaid (< min. service level) | | – | – | – | – | – | – | – | – | – |
| Other energy sources | | – | – | – | – | – | – | 339 | 339 | 339 |
| *Below Minimum Service Level sub-total* | | – | – | – | – | – | – | 339 | 339 | 339 |
| **Total number of households** | 5 | **–** | **–** | **–** | **–** | **–** | **–** | **8 739** | **8 739** | **8 739** |
| ***Refuse:*** | | | | | | | | | | |
| Removed at least once a week | | – | – | – | – | – | – | – | – | – |
| *Minimum Service Level and Above sub-total* | | – | – | – | – | – | – | – | – | – |
| Removed less frequently than once a week | | – | – | – | – | – | – | – | – | – |
| Using communal refuse dump | | – | – | – | – | – | – | 4 497 | 4 497 | 4 497 |
| Using own refuse dump | | – | – | – | – | – | – | 4 242 | 4 242 | 4 242 |
| Other rubbish disposal | | – | – | – | – | – | – | – | – | – |
| No rubbish disposal | | – | – | – | – | – | – | – | – | – |
| *Below Minimum Service Level sub-total* | | – | – | – | – | – | – | 8 739 | 8 739 | 8 739 |
| **Total number of households** | 5 | **–** | **–** | **–** | **–** | **–** | **–** | **8 739** | **8 739** | **8 739** |
| **Households receiving Free Basic Service** | 7 | | | | | | | | | |
| Water (6 kilolitres per household per month) | | – | – | – | – | – | – | – | – | – |
| Sanitation (free minimum level service) | | – | – | – | – | – | – | – | – | – |
| Electricity/other energy (50kwh per household per month) | | – | – | – | – | – | – | – | – | – |
| Refuse (removed at least once a week) | | – | – | – | – | – | – | – | – | – |
| **Cost of Free Basic Services provided - Formal Settlements (R'000)** | 8 | | | | | | | | | |
| Water (6 kilolitres per **indigent** household per month) | | – | – | – | – | – | – | – | – | – |
| Sanitation (free sanitation service to **indigent households**) | | – | – | – | – | – | – | – | – | – |
| Electricity/other energy (50kwh per **indigent** household per month) | | – | – | – | – | – | – | – | – | – |
| Refuse (removed once a week **for indigent households**) | | – | – | – | – | – | – | – | – | – |
| **Cost of Free Basic Services provided - Informal Formal Settlements (R'000)** | | – | – | – | – | – | – | – | – | – |
| **Total cost of FBS provided** | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Highest level of free service provided per household** | | | | | | | | | | |
| Property rates (R value threshold) | | | | | 60 000 | 60 000 | 60 000 | 60 000 | 60 000 | 60 000 |
| Water (kilolitres per household per month) | | | | | 4 | 4 | 4 | 4 | 4 | 4 |
| Sanitation (kilolitres per household per month) | | | | | | | | | | |
| Sanitation (Rand per household per month) | | | | | | | | | | |
| Electricity (kwh per household per month) | | | | | | | | | | |
| Refuse (average litres per week) | | | | | | | | | | |
| **Revenue cost of subsidised services provided (R'000)** | 9 | | | | | | | | | |
| Property rates **(tariff adjustment)** ( **impermissable values per section 17 of MPRA**) | | | | | | | | | | |
| Property rates exemptions, reductions and rebates **and impermissable values in excess of section 17 of MPRA)** | | – | – | – | – | – | – | 648 | 648 | 648 |
| Water **(in excess of 6 kilolitres per indigent household per month)** | | – | – | – | – | – | – | – | – | – |
| Sanitation **(in excess of free sanitation service to indigent households)** | | – | – | – | – | – | – | – | – | – |
| Electricity/other energy **(in excess of 50 kwh per indigent household per month)** | | – | – | – | – | – | – | – | – | – |
| Refuse **(in excess of one removal a week for indigent households)** | | – | – | – | – | – | – | – | – | – |
| Municipal Housing - rental rebates | | | | | | | | | | |
| Housing - top structure subsidies | 6 | | | | | | | | | |
| Other | | | | | | | | | | |
| **Total revenue cost of subsidised services provided** | | **–** | **–** | **–** | **–** | **–** | **–** | **648** | **648** | **648** |

**Explanatory notes to Table A10 - Basic Service Delivery Measurement**

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services. Figures reflected in Table A10 for different services were based on the information obtained from the District.

2. It is anticipated that these Free Basic Services will cost the municipality R14,745 thousands in 2017/18 with no anticipated increases in the outer years. This is covered by the municipality's equitable share allocation from national government.

**Part 2 – Supporting Documentation**

**2.1 Overview of the annual budget process**

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee are to ensure:

- That the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- That the various spending priorities of the different municipal departments are properly evaluated and prioritized in the allocation of resources.

**2.1.1 Budget Process Overview**

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2016) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor will table in Council the required IDP and budget time schedule on 31 August 2017. Key dates applicable to the process were:

- **August 2017** – Strategic planning session of the Mayor and Executive Management. Aim: to review past performance trends for dissolved municipalities of the capital and operating budgets, the economic realities and to set the prioritization criteria for the compilation of the 2018/19 MTREF;

- **November 2017** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **January 2018** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2018** – Multi-year budget proposals are submitted to the Mayor for endorsement;
- **25 January 2018** - Council considers the 2017/18 Mid-year Review and Adjustments Budget;
- **February 2018**- Recommendations of the Mayor are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2017/18 MTREF is revised accordingly;
- **31 March 2018** - Tabling in Council of the draft 2018/19 IDP and 2018/19 MTREF for public consultation;
- **April 2018** – Public consultation;
- **May 2018** - Closing date for written comments;
- **May 2018** – finalization of the 2018/19 IDP and 2018/19 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **28 May 2018** - Tabling of the 2018/19 MTREF before Council for consideration and approval.

There will be no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

#### 2.1.2 IDP and Service Delivery and Budget Implementation Plan

This plan will be **s**tarted in September 2017 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2017/18 MTREF in August.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the first revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2017/18 MTREF, based on the approved 2016/17 MTREF, Mid-year Review and adjustments budget. The business planning

process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2017/18 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid- year and third quarter performance against the 2016/17 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme. The draft SDBIP were submitted to National and Provincial Treasuries. The Final documents will also be submitted as per the requirement of the MFMA.

### 2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2017/18 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2017/18 MTREF:

- Policy priorities and strategic objectives
- Asset maintenance
- Performance trends
- The approved 2016/17 Adjustments Budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51 and 54 has been taken into consideration in the planning and prioritization process.

### 2.1.4 Community Consultation

The final 2017/18 MTREF as tabled before Council on 30 May 2017 for community consultation will be published on the municipality's website, and hard copies will be made available at, municipal notice boards, Tribal Authorities and various libraries.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Committees were utilized to facilitate the community consultation process from 1 April 2017

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalization of the 2017/18 MTREF. Feedback and responses to the submissions received are available on request.

## 2.2 Overview of alignment of annual budget with IDP

The Constitutional mandates for local government lies with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilize integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five-year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;

- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP.

**2.3 Measurable performance objectives and indicators**

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

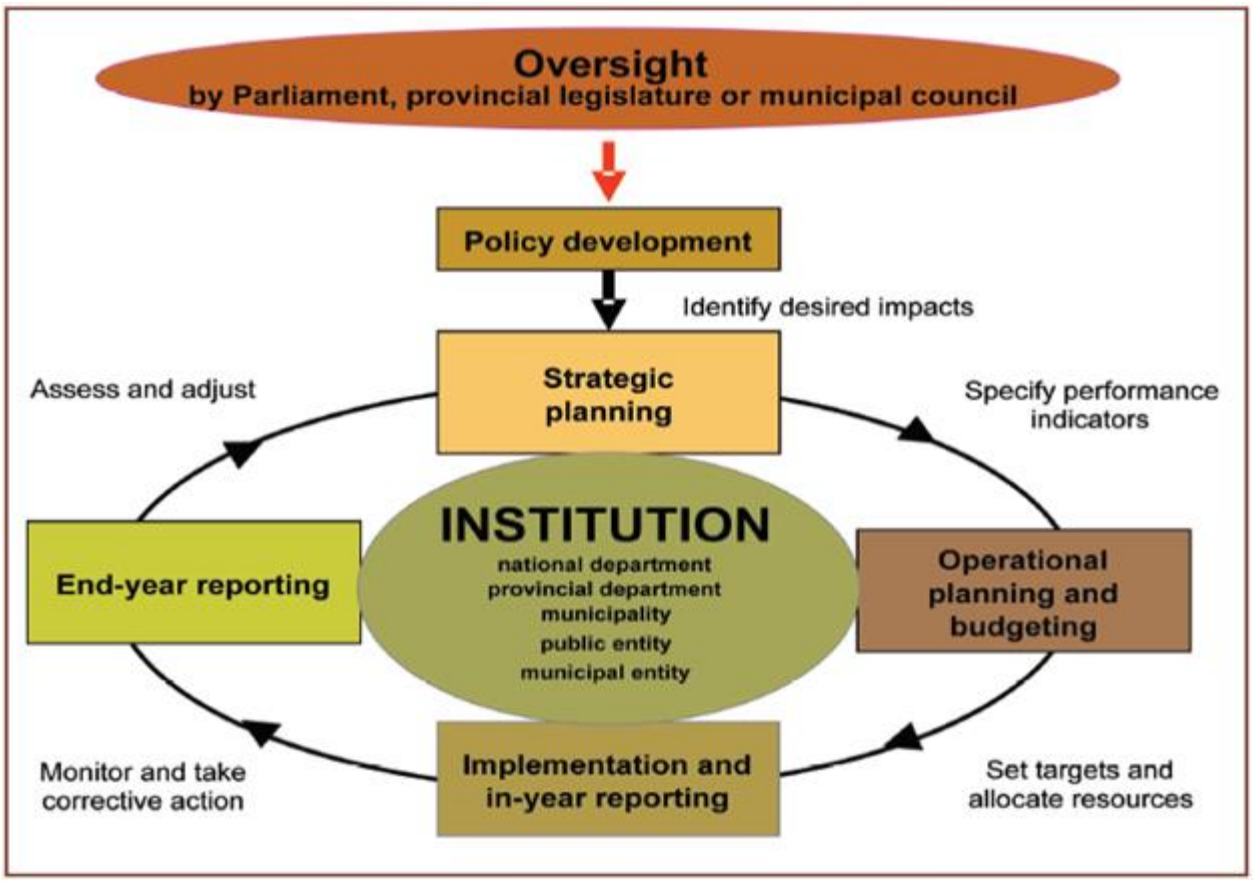


**Figure 5 Planning, budgeting and reporting cycle**

The performance of the municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the municipality in its integrated performance management system are aligned to the ***Framework of Managing Programme Performance Information*** issued by the National Treasury:

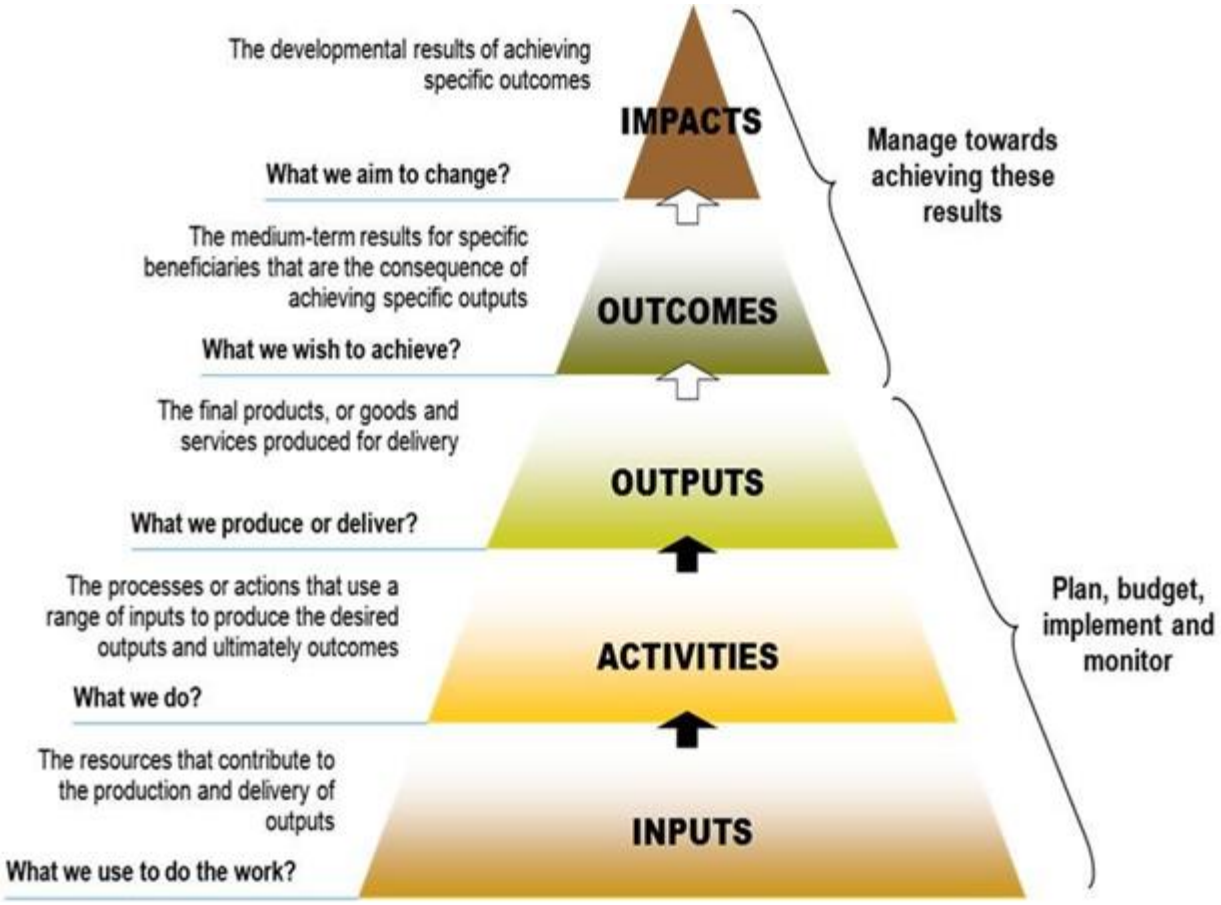


**Figure 6 Definition of performance information concepts**

**KZN276 The New Big 5 False Bay - Supporting Table SA18 Transfers and grant receipts**

| Description | Ref | 2013/14 | 2014/15 | 2015/16 | Current Year 2016/17 | | | 2017/18 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| **RECEIPTS:** | 1, 2 | | | | | | | | | |
| **Operating Transfers and Grants** | | | | | | | | | | |
| **National Government:** | | – | – | – | – | – | – | **109 149** | **111 430** | **120 933** |
| Local Government Equitable Share | | | | | | | | 84 732 | 93 374 | 98 617 |
| Finance Management | | | | | | | | 3 800 | 4 056 | 4 316 |
| Integrated National Electrification Programme | | | | | | | | 14 000 | 14 000 | 18 000 |
| EPWP Incentive | | | | | | | | 2 051 | – | – |
| Municipal Demacation Transition Grants | | | | | | | | 4 566 | | |
| **Provincial Government:** | | – | – | – | – | – | – | **1 974** | **3 272** | **2 166** |
| Provincialisation of Libraries | | | | | | | | 1 598 | 1 678 | 1 762 |
| Community Library Service Grant | | | | | | | | 376 | 394 | 404 |
| Schemes Support Programme | | | | | | | | – | 1 200 | – |
| **District Municipality:** | | – | – | – | – | – | – | – | – | – |
| *[insert description]* | | | | | | | | | | |
| **Other grant providers:** | | – | – | – | – | – | – | – | – | – |
| *[insert description]* | | | | | | | | | | |
| **Total Operating Transfers and Grants** | 5 | – | – | – | – | – | – | **111 123** | **114 702** | **123 099** |
| **Capital Transfers and Grants** | | | | | | | | | | |
| **National Government:** | | – | – | – | – | – | – | **21 664** | **22 697** | **23 788** |
| Municipal Infrastructure Grant (MIG) | | | | | | | | 21 664 | 22 697 | 23 788 |
| Other capital transfers/grants [insert desc] | | | | | | | | | | |
| **Provincial Government:** | | – | – | – | – | – | – | – | – | – |
| Other capital transfers/grants [insert description] | | | | | | | | | | |
| **District Municipality:** | | – | – | – | – | – | – | – | – | – |
| *[insert description]* | | | | | | | | | | |
| **Other grant providers:** | | – | – | – | – | – | – | – | – | – |
| *[insert description]* | | | | | | | | | | |
| **Total Capital Transfers and Grants** | 5 | – | – | – | – | – | – | **21 664** | **22 697** | **23 788** |
| **TOTAL RECEIPTS OF TRANSFERS & GRANTS** | | – | – | – | – | – | – | **132 787** | **137 399** | **146 887** |

**2.4 Overview of budget policies**

- **Tariff Policy** – the policy prescribes the procedures for calculating tariffs. This policy is required in terms of Section 74 of the Local Government Municipal System Act, Act 32 of 2000; Status: Adopted

- **Rates Policy** – a policy required by the Municipal Property Rates Act, Act 6 of 2004. This policy provides the framework for the determination of rates; this has been implemented with the Municipal Property Rates Act with effect from 1 July 2009. Policy has to be reviewed annually when the draft budget is submitted. Status: Adopted

- **Indigent Support Policy** – The criterion for benefits under this scheme is part of the credit control policy. An indigent is kept up to date in a form of a monthly register and a separate indigent policy has been developed in line with this. The survey forms to qualify for the indigent support must be completed annually. The Municipality may annually as part of its budgetary process, determine the municipal services and levels thereof which will be subsidized in respect of indigent customers in accordance with the national policy but subject to principles of sustainability and affordability. An indigent customer shall automatically be deregistered if an audit or verification concludes that the financial circumstances of the indigent customer have changed to the extent that he/she no longer chances the qualifications. The indigent customer may at any time request deregistration. Status: Adopted

- **Budget Policy** – The annual budget is the central financial planning document that entails all revenue and expenditure decisions. It establishes the level of services to be provided by each department. The accounting officer confirms the municipal's priorities in the formulation of the draft and the final budget document proposal. A budget, as per S71 of the MFMA, is subject to monthly control and be reported to Council with recommendations of action to be taken to achieve the budget's goals. The budget is also subject to a mid-term review which might result in a revised budget, thereby resulting in the adjustments budget, which is in terms of S28 of the MFMA. Unfinished capital project budgets shall not be carried forward to future fiscal years unless the project expenditure is committed or funded from grant funding, which will require the rolling over of those funds together with the project. This policy set out the principles which must be followed in preparing a Medium-Term Revenue and Expenditure Framework Budget. It further ensures that the budget reflects the strategic outcomes embodied in the IDP and related strategic policies. Status: Adopted

- **Asset Management Policy** – the objective of the policy is to prescribe the accounting and administrative procedures relating to property, plant and equipment; Status: Adopted

- **Accounting Policy** – the policy prescribes the basis of presentation of the Annual Financial Statements in accordance with the Generally Recognized Accounting Practices and Accounting Standards; Status: Adopted

- **Supply Chain Management Policy** – this policy is developed in terms of Section 11 of the Municipal Finance Management Act, Act 56 of 2003. The principles of this policy is to give effect to a fair, equitable, transparent, competitive and cost effective system for the procuring of goods and services, disposing of goods and selecting of contractors in the provision of municipal services Status: Adopted

- **Subsistence and Travel Policy** – this policy regulates the reimbursement of travelling and subsistence cost to officials and councillors attending official business Status: Adopted

- **Credit Control and Debt Collection Policy** – this policy provides for credit and debt collection procedures and mechanisms to ensure that all consumers pay for the services that are supplied. Status: Adopted

- **Investment Policy** – this policy was compiled in accordance with the Municipal Investment Regulation R308 and ensures that cash resources are managed in the most efficient and effective manner possible Status: Adopted

- **Short-term Insurance Polic**y – the objective of the policy is to ensure the safeguarding of Council's assets Status: Adopted

- **Principles and Policy on Borrowings**- The purpose of this policy is to ensure that borrowing forms part of the financial management procedures of the Municipality and to ensure that prudent borrowing procedures are applied consistently. Status: Adopted

## 2.5 Overview of budget assumptions

### 2.5.1 External factors

Domestically, The country is facing downturn economically and effective measures to boost the economy are required. Hopefully government intervention will assist the economy and avoid the possible recession that can be headed should no improvement is done economically. Fortunately enough Standard & Poor ( S & P) review done Friday, 3rd of June 2017 favoured the SA and work done to turnaround the economy is promising.

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the municipality's finances.

### 2.5.2 General inflation outlook and its impact on the municipal activities

There are four key factors that have been taken into consideration in the compilation of the 2017/18 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in the cost of remuneration.

### 2.5.3 Collection rate for revenue services

Tariffs and rating increases will increase at a rate slightly higher that CPI over the long term but will have to matched to ensure that communities are billed and charged equally. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (70 per cent) of annual billings. Cash flow is assumed to be 70 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

### 2.5.4 Growth or decline in tax base of the municipality

Debtor's revenue is assumed to increase at a rate that is influenced by the consumer debtor's collection rate, tariff/rate pricing, real growth rate of the municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing "households" is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the "poor household" limits consumption to the level of free basic services.

### 2.5.5 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

### 2.5.6 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 100 per cent is achieved on operating expenditure and 100 per cent is applied for the capital budget for the 2017/18 MTREF of which performance has been factored into the Cash flow budget.

## 2.6 Councillor and employee benefits

KZN276 The New Big 5 False Bay - Supporting Table SA22 Summary councillor and staff benefits

| Summary of Employee and Councillor remuneration | Ref | 2013/14 | 2014/15 | 2015/16 | Current Year 2016/17 | | | 2017/18 Medium Term Revenue & Expenditure Framework | | |
|---|---|---|---|---|---|---|---|---|---|---|
| R thousand | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2017/18 | Budget Year +1 2018/19 | Budget Year +2 2019/20 |
| | 1 | A | B | C | D | E | F | G | H | I |
| **Councillors (Political Office Bearers plus Other)** | | | | | | | | | | |
| Basic Salaries and Wages | | | | | | | | 4 939 | 4 863 | 4 863 |
| Pension and UIF Contributions | | | | | | | | | | |
| Medical Aid Contributions | | | | | | | | | | |
| Motor Vehicle Allowance | | | | | | | | 1 454 | 2 250 | 2 250 |
| Cellphone Allowance | | | | | | | | 478 | 678 | 678 |
| Housing Allowances | | | | | | | | | | |
| Other benefits and allowances | | | | | | | | 55 | 95 | 95 |
| **Sub Total - Councillors** | | – | – | – | – | – | – | **6 926** | **7 886** | **7 886** |
| **% increase** | 4 | | – | – | – | – | – | – | **13.9%** | – |
| | | | | | | | | | | |
| **Senior Managers of the Municipality** | 2 | | | | | | | | | |
| Basic Salaries and Wages | | | | | | | | 3 703 | 3 703 | 3 703 |
| Pension and UIF Contributions | | | | | | | | 9 | 9 | 9 |
| Medical Aid Contributions | | | | | | | | 72 | 72 | 72 |
| Overtime | | | | | | | | | | |
| Performance Bonus | | | | | | | | | | |
| Motor Vehicle Allowance | 3 | | | | | | | 795 | 795 | 795 |
| Cellphone Allowance | 3 | | | | | | | 83 | 83 | 83 |
| Housing Allowances | 3 | | | | | | | | | |
| Other benefits and allowances | 3 | | | | | | | 214 | 214 | 214 |
| Payments in lieu of leave | | | | | | | | 48 | 48 | 48 |
| Long service awards | | | | | | | | | | |
| Post-retirement benefit obligations | 6 | | | | | | | | | |
| **Sub Total - Senior Managers of Municipality** | | – | – | – | – | – | – | **4 923** | **4 923** | **4 923** |
| **% increase** | 4 | | – | – | – | – | – | – | – | – |
| | | | | | | | | | | |
| **Other Municipal Staff** | | | | | | | | | | |
| Basic Salaries and Wages | | | | | | | | 37 730 | 40 672 | 43 823 |
| Pension and UIF Contributions | | | | | | | | 5 878 | 6 296 | 6 743 |
| Medical Aid Contributions | | | | | | | | 2 425 | 2 602 | 2 792 |
| Overtime | | | | | | | | | | |
| Performance Bonus | | | | | | | | 3 460 | 3 706 | 3 969 |
| Motor Vehicle Allowance | 3 | | | | | | | 3 889 | 4 221 | 4 577 |
| Cellphone Allowance | 3 | | | | | | | 22 | 30 | 38 |
| Housing Allowances | 3 | | | | | | | 44 | 47 | 50 |
| Other benefits and allowances | 3 | | | | | | | 1 152 | 1 625 | 1 756 |
| Payments in lieu of leave | | | | | | | | 659 | 709 | 763 |
| Long service awards | | | | | | | | | | |
| Post-retirement benefit obligations | 6 | | | | | | | | | |
| **Sub Total - Other Municipal Staff** | | – | – | – | – | – | – | **55 259** | **59 908** | **64 511** |
| **% increase** | 4 | | – | – | – | – | – | – | **8.4%** | **7.7%** |
| **TOTAL SALARY, ALLOWANCES & BENEFITS** | | – | – | – | – | – | – | **67 108** | **72 717** | **77 320** |
| **% increase** | 4 | | – | – | – | – | – | – | **8.4%** | **6.3%** |
| **TOTAL MANAGERS AND STAFF** | 5,7 | – | – | – | – | – | – | **60 182** | **64 831** | **69 434** |

## 2.7 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In-year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the municipality's website.

2. Internship programme

The municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department.

3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA taken from dissolving municipalities.

4. Audit Committee

The Municipality will establish its Audit Committee and ensure it is fully functional.

5. Service Delivery and Implementation Plan

The detail SDBIP document is at a draft stage and will be finalised after approval of the 2017/18 MTREF in May 2017 directly aligned.

6. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. MFMA Training

The MFMA training module in electronic format is presented at the municipality's internal centre and training is ongoing.

8. Policies

Budget related polices has been reviewed and tabled to council for approval.

**2.8 Municipal manager's quality certificate**

I Dr Vusumuzi J. Mthembu Municipal Manager of the Big 5 Hlabisa Municipality, hereby certify that the annual draft budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Name:……

Municipal Manager of Big 5 Hlabisa Municipality (KZN276)

Signature

Date ……..